

4 -Receivables Management Processes

4.0 RECEIVABLES MANAGEMENT PROCESSES

This chapter provides best practice business processes for administering and managing receivables due from the public, excluding reimbursable activity.

The benefits of effective Receivables Management include:

- Improved revenue recognition;
- Improved cash flow;
- Reduced loss due to bad debts; and
- Reduced administrative cost for the revenue life cycle.

The Receivables Management process flowcharts and corresponding step descriptions and business rules were developed in accordance with Treasury's *Managing Federal Receivables* guidance. Other applicable guidance for Receivables Management includes the Treasury Financial Manual (TFM), Core Financial System Requirements (CFSR), the Debt Collection Improvement Act of 1996 (DCIA), Office of Management and Budget (OMB) Circular A-129, applicable Internal Revenue Service (IRS) regulations, and the Federal Claims Collection Standards. In most instances, where specific rules apply to a process step, the applicable guidance is referenced.

The Receivables Management processes detailed in this chapter are:

- RM 4.1 – Establish Accounts Receivable Due From the Public. This section provides the steps agencies should follow in order to create or edit customer information within the Core Financial System. This section also addresses proper internal controls, including separation of duties and appropriate levels of review and approval, for the establishment of accounts receivable.
- RM 4.2 – Analyze Accounts Receivable. This section provides the process of analyzing accounts receivable for the purpose of determining age, status, and collection probability by specific account in order to facilitate effective management of the account.
- RM 4.3 – Billing. This section provides the process to generate a bill. Bills are created based on agency-specific business rules and are generated automatically based on established billing frequency.
- RM 4.4 – Collection of Receipts. This section provides the process for receiving and controlling monies collected on associated debts, and recording in the general ledger.
- RM 4.5 – Application of Receipts. This section provides the process for the application of monies collected.

- RM 4.6 – Delinquent Debt Processes.
 - RM 4.6.1 – Dunning. This section provides the process of communicating with customers to enhance to collection of delinquent accounts receivable. The purpose of this process is to inform customers of their responsibilities to the agency as well as protect the agency’s rights to that debt. The dunning process also serves to inform the customer of the consequences for noncompliance with the payment terms and/or revisions to those terms in the form of interest, administrative costs, and penalties, where applicable.
 - RM 4.6.2 – Delinquent Debt Collection. This section provides debt collection tools available to assist agencies to collect debts for those customer/debtor accounts that have become delinquent. Delinquent debt collection is the process through which agencies restore the delinquent debts to current status or, if unsuccessful, maximize collection on the agency's accounts.
- RM 4.7 – Allowance for Loss on Accounts Receivable. This section provides the process an agency uses to determine and record an allowance for loss on accounts receivable. The allowance calculation is used for financial statement presentation purposes and to provide information for internal management decisions on agency-specific debt collection policies and procedures.
- RM 4.8 – Write-off of Accounts Receivable. This section provides the process to determine whether an account should be written off, perform the write-off, and determine subsequent action. Subsequent action may include active or passive collection action on the debt, close-out the debt (and obtain FMS or Department of Justice approval for close out where applicable), report cancellation of debt to the IRS, and notify the customer/debtor of cancellation.
- RM 4.9 – Issue Credit Memo. This section provides the process to determine appropriate action in the event of overpayments, returns, or adjustments to customer accounts. Note: agencies may apply excess amounts received to open receivables or offset the next scheduled receivable.
- RM 4.10 – Return of a Negotiable Instrument. This section provides the process to determine appropriate action in the event a negotiable instrument is returned uncollected to an agency. Examples of returned negotiable instruments are insufficient funds, closed customer/debtor accounts, stop payment, and disputed credit or debit charges.
- RM 4.11 – Waiver of Interest, Administrative Costs, and Penalties. This section provides the process to waive interest, administrative costs, and penalties. Procedures to identify delinquent customer accounts and the criteria to determine waivers are discussed.
- RM 4.12 – Installment Plans. This section provides the process for offering installment plans when a debtor’s inability to pay claims is substantiated. This section also provides for the transmission of an agreement to the customer/debtor, agency determination of customer acceptance or non-acceptance of an installment plan, and the appropriate general ledger entries.

The steps within the above processes are depicted in corresponding flowcharts. Following each flowchart are descriptions of the processes and steps and related business rules.

Included in the scope, from the **billing perspective**, of this chapter are the following:

- Employee Overpayments
- Vendor Overpayments
- Relocation

- Judgments (Accident Claims)
- Fines
- Penalties
- Employee Training Reimbursement
- Insufficient Funds
- Non-Reimbursable Sale of Goods or Services (User Fees)
- Sharing Agreements
- Employee Travel (Advances) (to be used only on an exception basis)

Included in the scope, from the **collections perspective**, of this chapter are the following:

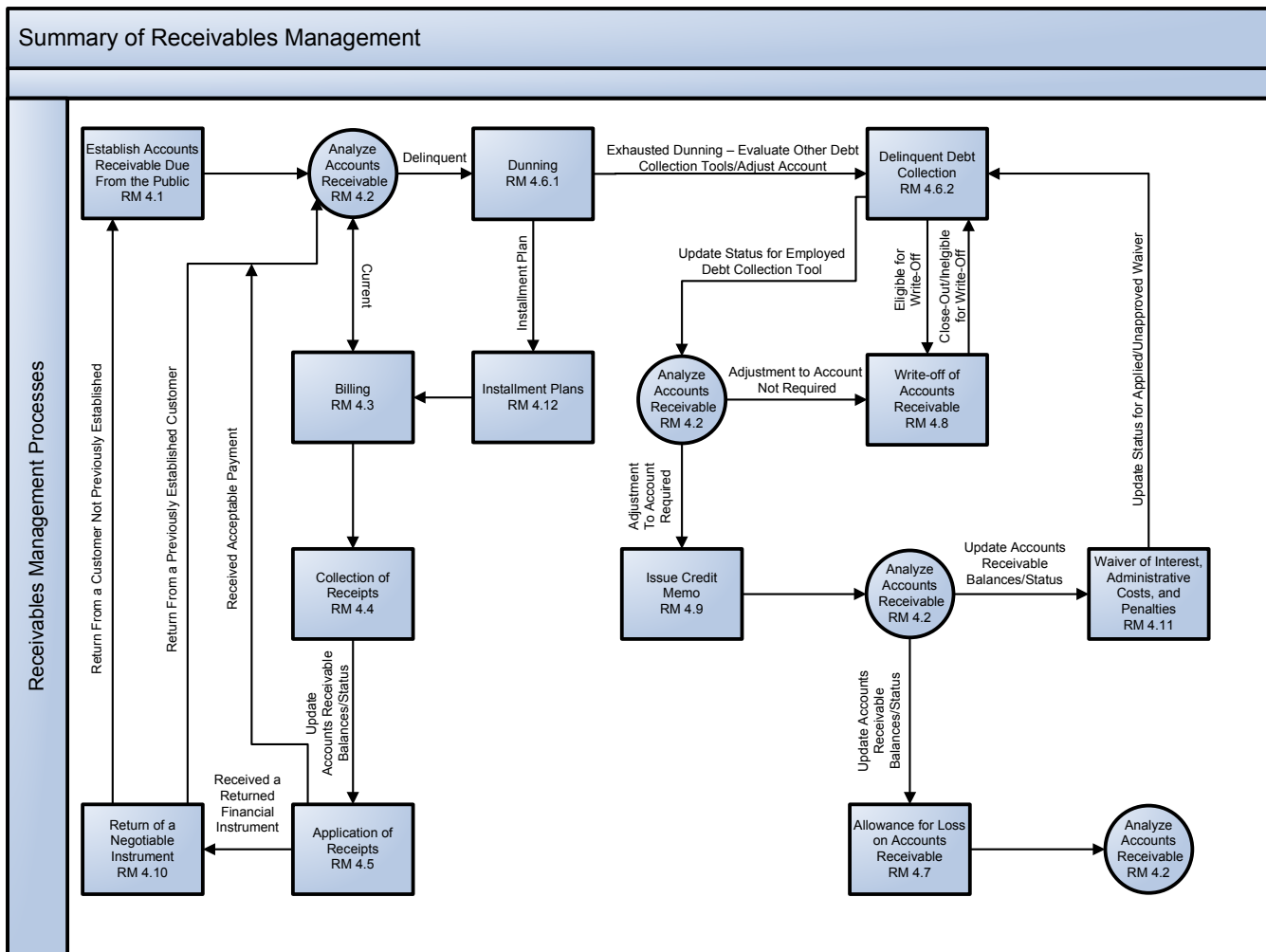
- Billed Receivables
- Concession Rents
- Unbilled Overpayments
- Credit Management/Debt Collection Cycle
- Interest
- Penalties
- Asset Sales
- Administrative Wage Garnishment
- Sale of Goods and Services
- Application Fees
- Industrial Funding Fees
- Freedom of Information Act
- Miscellaneous Receipts
- User Fees
- Auction Receipts
- Rebates
- Sharing Agreements

Excluded from the scope of this chapter are the following:

- Reimbursable Activity
- Transactions in Foreign Currency

- Non-Monetary Exchange Transactions
- Investments
- Leases
- Program Overpayments Not Processed in the Core Financial System
- Trust Fund Programs
- Intra-Governmental Payment and Collection (IPAC) Transactions
- Credit Reform (Including Direct and Guaranteed Loans)
- Grants
- Gifts
- Treasury and Department Of Justice (DOJ) Cross Servicing
- Benefit Overpayments
- Tax Receivables and Duties
- Donations
- Internal Offsets
- Administrative Offsets with Accounts Payable

The following flowchart depicts the sequence and inter-relationship of the Receivables Management Processes:

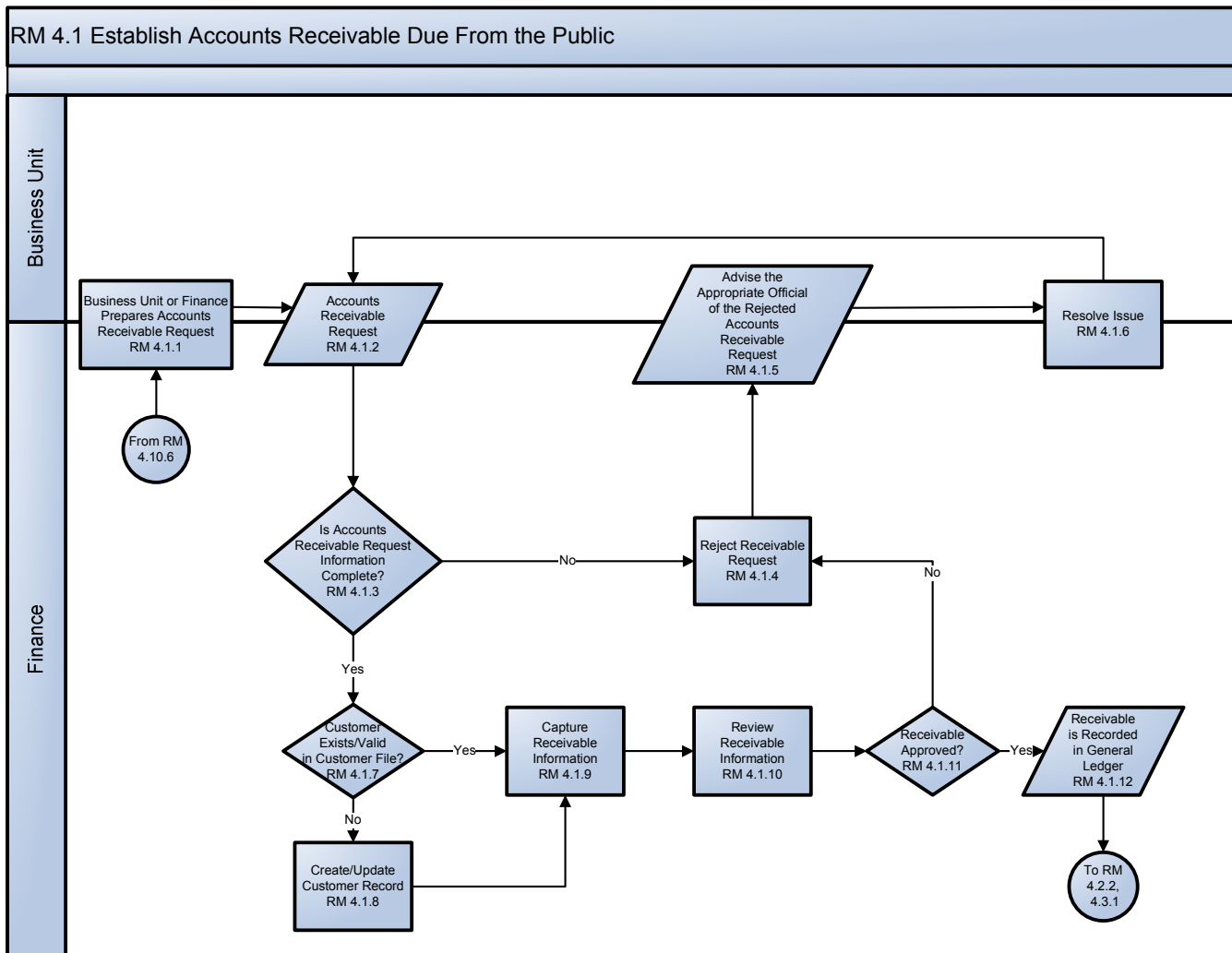


See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart

4.1 ESTABLISH ACCOUNTS RECEIVABLE DUE FROM THE PUBLIC

This section provides the process for establishing accounts receivables due from the public. The steps in the flowchart include the submission of accounts receivable requests; the creation, review, and validation of customer information; and the establishment of a receivable in the Core Financial System.

RM 4.1 – Establish Accounts Receivable Due From the Public Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Establish Accounts Receivable process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.1.1	Business Unit or Finance Prepares Accounts Receivable Request	A triggering event (e.g., sale of goods or services, change in status of an advance) occurs creating the need for a receivable to be established in the Core Financial System. The request could represent the need to establish a single receivable or multiple receivables.	<p>The request may be entered or interfaced to the Core Financial System.</p> <p>An image of the documentation supporting the receivable request shall be maintained in electronic or hard copy form, as applicable.</p>	
RM 4.1.2	Accounts Receivable Request	The accounts receivable request contains the necessary information to establish a receivable. This information will be maintained throughout the life of a receivable to include verifying, reviewing and capturing vendor or customer information, performing calculations, and generating bills, as applicable.	<p>The Business Unit or Finance provides the following data elements to establish a receivable, as applicable:</p> <ul style="list-style-type: none"> • Receivable Type (sale of goods or services, overpayments, unused advances subject to refund, fees, and fines); • Dates of Performance; • Customer Information; • Terms; • Item Type to be Billed; • Amounts to be Billed; • Accounting classification elements; • Date Receivable Established; • Customer P.O. Number; • Description of Goods and/or Services; and • Unit of measure and quantity. <p>The Business Unit or Finance, depending on the origination point for the request, maintains documentation to support the billing request.</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.1.3	Is Accounts Receivable Request Information Complete?	Review accounts receivable request information for completeness.	Verify that the minimum required data elements are provided (see RM step 4.1.2).	
RM 4.1.4	Reject Receivable Request	Return request for accounts receivable to applicable functional area for additional information/authorization.	Missing information is identified, and upon review it is noted that the request is incomplete. The agency should track the status of rejected receivable requests.	
RM 4.1.5	Advise the Appropriate Official of the Rejected Accounts Receivable Request	Advisement of the rejected accounts receivable request is generated and routed to applicable responsible parties.	Advisement of the rejected accounts receivable request is sent to the appropriate official. The originator will receive notification specifying the missing information or actions required to prepare a complete and valid request. (See business rule for step 4.1.2 for the list of data elements to establish a receivable. Please note the data elements in step 4.1.2 are only required, as applicable.)	
RM 4.1.6	Resolve Issue	The responsible Business Unit/Finance corrects the document by providing valid data elements needed to complete the receivable request.		
RM 4.1.7	Customer Exists/Valid in Customer File?	The accounts receivable request is reviewed to determine whether a complete customer record exists in the Customer File and that the data matches between the accounts receivable request and the customer record.	A customer record must be maintained for each entity that owes the agency a debt. (e.g., contractors, employees). Finance personnel must perform procedures to ensure that new accounts receivable requests for debarred customers are rejected and not entered into the Core Financial System.	
RM 4.1.8	Create/Update Customer Record	If a customer record does not exist, the record is created.	Agencies must implement procedures for proper segregation of duties between the person creating a	RMA-01 RMA-02 RMA-03

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		Data on the receivable request is compared to data in the agency customer database. If information does not match, correct the customer information, as appropriate.	<p>customer record and the person creating a receivable record.</p> <p>The customer information maintenance process involves the maintenance of customer information (name, address, etc.) and identification of the type of customer from which collection is due, as well as other critical information related to the customer that is needed for receivable processing, maintenance, and collection. The process ensures that customer TINs are captured in order to report overdue receivables for potential offset and to provide for IRS Form 1099 reporting of debts written off.</p> <p>To support the customer information maintenance process, the Core Financial System must provide automated functionality to maintain customer information to support receivable management processes as referenced in RMA-01 (not all of the information from RMA-01 is listed as some are specific to Federal receivables. For a complete list of the elements, see CFSR RMA-01) including the following:</p> <ul style="list-style-type: none"> • Customer name; • Customer ID number; • Customer type (commercial, or consumer); • Billing method (1081, paper bill, or other); • TIN; • Customer address; • Customer contact name; • Customer contact telephone number; 	RMA-04 RMA-05 RMA-06 RMA-07

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<ul style="list-style-type: none"> • Customer contact e-mail address; • IRS 1099-C indicator; • Third-party payer name; • Third-party payer address; • Third-party payer contact name; • Third-party payer contact telephone number; • Comment field; • DUNS+4 number; and • Active/Inactive indicator. <p>Agencies must perform continuous periodic review to determine if customer record information is accurate, valid, and complete. All customer records must contain the data elements listed in the referenced CFSR.</p>	
RM 4.1.9	Capture Receivable Information	<p>Capture information required to establish a receivable. (See RM 4.1.2 business rule for list of data element to establish a receivable).</p> <p>The captured data populates the detailed subsidiary record and is used to populate the general ledger accounts receivable record. Note: See RM 4.1.12 for the recording of the receivable to the general ledger.</p>	<p>The Core Financial System validates that data meets required formats and other applicable tests of validity.</p> <p>Information must be captured to detail multiple customers/debtors who are liable for an agency accounts receivable.</p> <p>Processes and procedures for establishing a receivable include verifying, reviewing and capturing receivable and customer information, and performing calculations for receivable balances at the line item level as well as in total.</p>	RMB-03 RMB-04

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.1.10	Review Receivable Information	The established accounts receivable is reviewed and validated by the designated individual(s).	<p>The receivable is reviewed to ensure the data entered into the Core Financial System matches the accounts receivable supporting documentation.</p> <p>Agencies must establish and implement policies and procedures incorporating sound internal controls to allow for appropriate levels of review prior to the establishment of a receivable. Note: Not all receivables are required to be reviewed. Agency policies and procedures (including thresholds) should govern the need for the review of a receivable.</p>	TLE-03
RM 4.1.11	Receivable Approved?	A receivable record is approved prior to recording in the general ledger.		

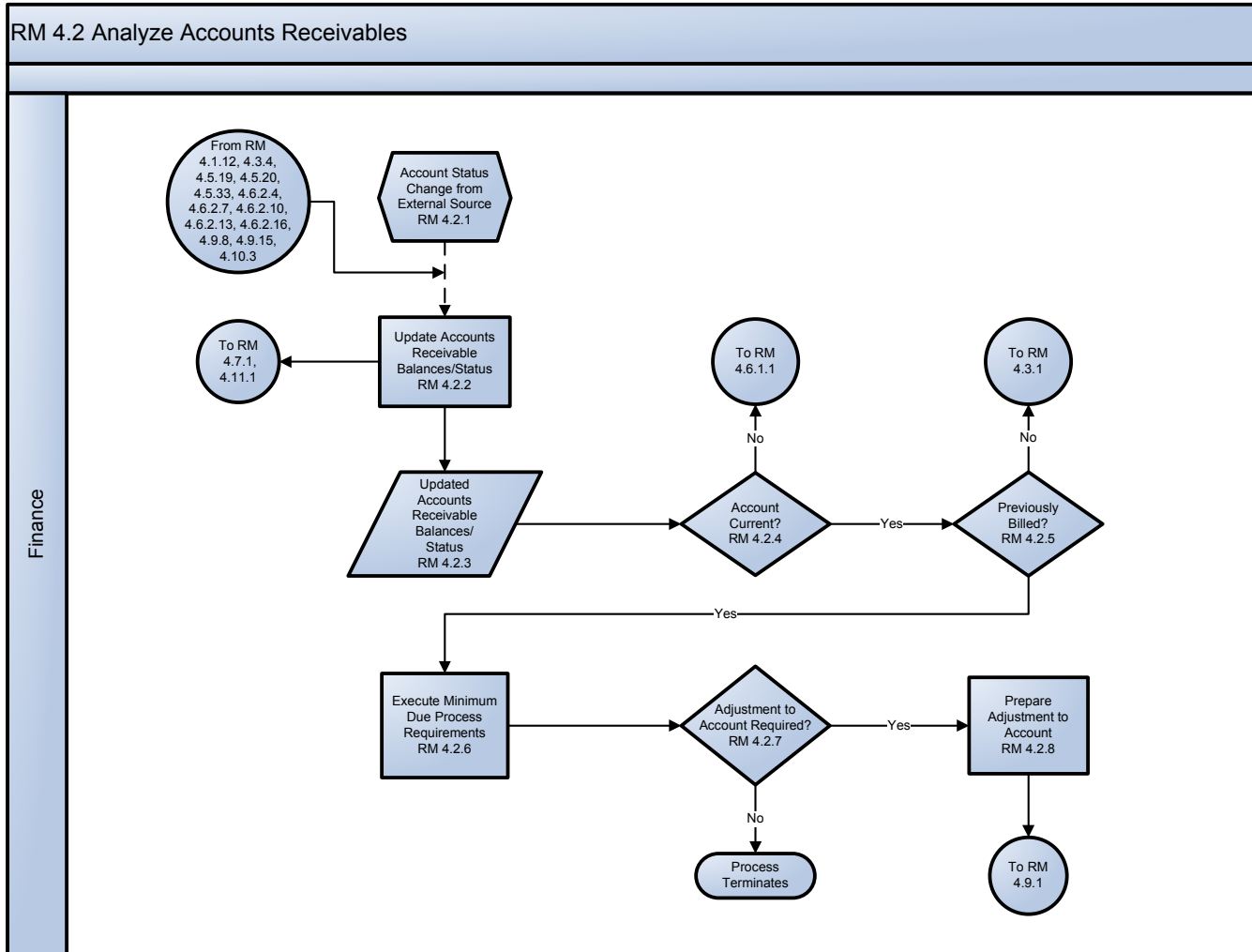
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.1.12	Receivable is Recorded in General Ledger	Record general ledger entries to reflect that all receivable data has been processed along with other pertinent financial information needed to update the general ledger. Updating the general ledger includes recording the accounting event as debit and credit entries to both proprietary and budgetary general ledger accounts.	<p>An agency must record entries for receivables that have yet to be billed.</p> <p>Agency policies and procedures should determine the frequency in which actions are performed.</p> <p>The entries are recorded using the United States Standard General Ledger (USSGL) Account Transaction Listing provided in the TFM. Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM-C420: To record accrued revenue from non-Federal sources other than for reimbursable agreements, non-revolving trust funds, special funds, and custodial activity.</p> <p>TFM-C422: To record accrued revenue from Federal or non-Federal sources for non-revolving trust funds and special funds.</p> <p>TFM-C414: To record refund receivables from nonfederal sources for assets or expenses that do not create budgetary resources until collected.</p> <p>TFM-C644: To record a receivable from a non-Federal entity for the sale or disposition of assets other than personal properties and investments.</p>	RMB-01 RMB-03 RMB-04 GLB-01 GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 SMB-02 SMB-33

4.2 Analyze Accounts Receivable

The section provides the business process flow to analyze a receivable due from the public, determine its status, and decide on applicable actions to be taken to resolve an issue and/or adjust a balance. After the receivable is created, the analysis process commences and continues. The process for performing analysis of outstanding receivable balances includes receivables represented by individual subsidiary level accounts, general ledger accounts (primarily the account 1300 series), and transaction records used to update the accounts, as needed. The analysis process assumes that the accounts and record maintenance is current. Analysis triggers a range of business events aimed at furthering collection, fair-valuation and/or resolution of outstanding balances, in accordance with Federal management guidance and compliance requirements. Although the process assumes that accounts and records are in a current status, agencies may consider, when appropriate, applicable delinquent debt collection tools illustrated in RM 4.6.1 Dunning (installment plans or compromise agreements) and/or RM 4.6.2 Delinquent Debt Collection (non-centralized administrative offset, wage garnishment, or referral to applicable legal function), to facilitate collection on the debt, within the first 30 days of the debt life cycle.

The following flowchart provides key steps in the processes used by agencies to maintain and analyze accounts receivable; the flowchart represents an iterative process. External sources and other processes such as collections, hearing requests and bankruptcies could affect the status, action taken, or disposition of the receivable and consequently affect the Dunning and Write-Off processes. Many of the business rules included below are from Treasury's *Managing Federal Receivables* guidance, which can be found at (http://www.fms.treas.gov/debt/Guidance_MFR.html).

RM 4.2 – Analyze Accounts Receivable Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Analyze Accounts Receivable process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.2.1	Account Status Change from External Source	<p>Entities external to the agency may send/transmit/communicate changes in status applicable to agency accounts receivable.</p> <p>Examples where external sources initiate the process are bankruptcy and a novation due to sale of a company.</p>	<p>Changes to the status of outstanding receivables received from external sources must be in accordance with Treasury debt management guidance and agency policies and procedures. Agency Financial Management personnel are responsible for reviewing proposed status changes to customer accounts, executing such changes, and resolving conflicts where applicable in accordance with agency policies and procedures.</p>	
RM 4.2.2	Update Accounts Receivable Balances/Status	<p>Accounts receivable balances and status are updated based on inputs originating either internally or externally to the agency.</p>	<p>Accounts receivable records, balances, and statuses are updated based on various events.</p> <p>Receivable adjustments may include:</p> <ul style="list-style-type: none"> • Application of Collections; and • Adjustments. <p>Statuses change due to:</p> <ul style="list-style-type: none"> • Billing (from unbilled to billed); • The passage of time (from current to delinquent); and • Events that change a delinquency status (e.g., bankruptcy, referral, etc). <p>Capture applicable transaction information in the subsidiary ledger and record applicable transactions to the general ledger to reflect the change in accounts receivable balances/status.</p>	<p>RMB-02 RMB-18 RMD-01 RMD-02 RMD-06</p>
RM 4.2.3	Updated Accounts Receivable Balances/Status	<p>Updated accounts receivable balances/status result from the process of applying updates.</p>		
RM 4.2.4	Account	<p>Each account must be evaluated based on status</p>	<p>Best practice is to review the status of accounts receivable balances on a</p>	RMC-08

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
	Current?	<p>and/or aging as well as agency debt collection procedures.</p> <p>Analysis and evaluation of the status of the accounts receivable is to determine outstanding account balance as current and adequate as well as, eligibility for dunning and/or reporting to credit bureaus.</p>	<p>periodic basis. The review may include accounts receivable amounts, collection percentages, accounts receivable days outstanding and a comparison to internal agency or government wide standards.</p> <p>Identify delinquent debts on accounts based on aging of debts. Each account must be evaluated based on criteria from government-wide regulations as well as agency debt collection regulations.</p> <p>A debt becomes delinquent when payment is not made by the due date or the end of a predetermined “grace period.”</p> <p>Each delinquent account is evaluated for eligibility for dunning.</p> <p>When a debtor files for bankruptcy protection, an agency may prohibit further collection action while the bankruptcy is pending. Agency counsel should be consulted for specific advice in order to determine what further steps need to be taken to protect the agency’s position and be in compliance with the law. In most cases, agencies must await legal advice based on bankruptcy litigation results to determine subsequent action.</p> <p>DCIA requires Federal agencies to report to credit bureaus information on all delinquent consumer debts. Treasury can report the delinquent debts to credit bureaus, if agreed upon with the agencies. The agencies may also agree to continue reporting to the credit bureaus themselves after referring their delinquent debts to FMS. An agency that elects to use expedited referral to cross-servicing, (i.e., referral of debts within 60 days of the date of delinquency), does not need to report its debts to credit</p>	<p>RMC-09</p> <p>RMC-20</p> <p>RMD-11</p>

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			bureaus because FMS will report the debts on the agency's behalf, if agreed to by the agency.	
RM 4.2.5	Previously Billed?	Analysis and evaluation of the status of the accounts receivable is to determine the need for scheduling the billing of unbilled receivables.		RMC-20
RM 4.2.6	Execute Minimum Due Process Requirements	Due process requirements are performed for each customer account.	<p>In the context of Federal debt collection, the constitutional right of “due process” requires an agency to provide debtors with notice of, and the opportunity to dispute, a debt or intended debt collection action. Notice must include the amount and type of debt owed, and the actions to be taken by an agency to collect the debt, such as adding interest and late charges, offset or garnishment, and credit bureau reporting.</p> <p>An agency should provide a customer an opportunity to dispute the debt or advise the debtor of the adverse collection action to be taken. At a minimum, the customer should have the opportunity to challenge (1) the existence of all or part of the debt, and/or (2) whether the agency has met the statutory or regulatory prerequisites for using the collection action mentioned in the notice.</p> <p>The minimum “due process” required is generally established by the statutes that authorize the use of a specific debt collection tool or by implementing regulations. Treasury’s <i>Managing Federal Receivables</i> guidance provides more information on the notices and opportunities to be provided to a debtor.</p>	

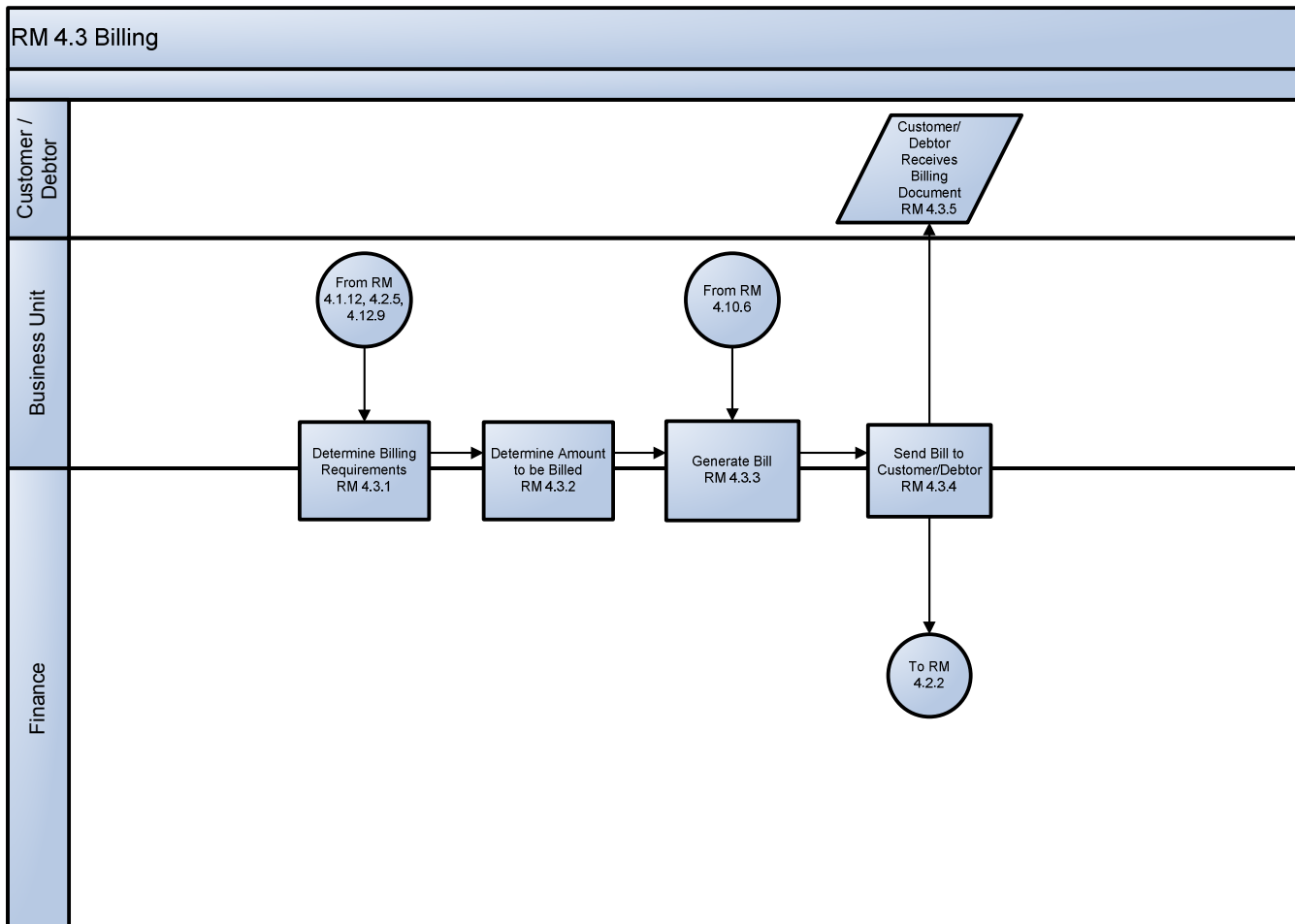
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.2.7	Adjustment to Account Required?	Based on review of an accounts receivable, the agency determines whether an adjustment to the balance/status of the account is required.		
RM 4.2.8	Prepare Adjustment to Account	<p>As applicable, the agency prepares an adjustment to the balance/status of the accounts receivable.</p> <p>Adjustments may be due to the result of review of an account subsequent to dispute resolution and/or identification of erroneous debts.</p>	Proper segregation of duties must be followed when adjusting an accounts receivable balance.	

4.3 BILLING

This section provides the process to generate a bill. The billing process represents the first action to collect amounts due from any exchange of goods or services resulting in a debt due from the public when payment is not collected at the time of service or at the point of sale. Once credit has been extended, consistent billing and collection procedures must be followed as outlined by agency specific procedures and guidelines.

Bills are created based on agency-specific business rules and are generated automatically or manually (on demand), as necessary, based on established billing frequency. Included are steps to determine billing requirements and generate and send a bill to a customer/debtor.

RM 4.3 – Billing Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Billing process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.3.1	Determine Billing Requirements	Determine the billing requirements using the customer information and receivable data.	Based on the customer and receivable record information, determine the method (electronic or paper) and terms of billing to be used.	RMA-01 RMB-04
RM 4.3.2	Determine Amount to be Billed	The amount to be billed is determined.	Before an agency bills, it will need to consider discounts, shipping charges, and other adjustments applicable to the transaction.	
RM 4.3.3	Generate Bill	Generate demand for payment that includes bill number, account number, debtor information, amount owed, payment terms and conditions (including the remittance instructions) and payment due date.	<p>Additional bill information should include account number, payment terms and conditions, customer purchase order (PO) number, lock box information, and description of goods and/or services or other basis for the debt.</p> <p>The bill should include or reference applicable standards upon which any interest, penalties, or administrative charges will be based, rights under Federal Claims Collection Standards, the date by which the debtor must make payment to avoid late charges and enforced collection, the name, address and phone number of a point of contact the customer/debtor may speak with regarding the bill, and remedies the agency will use to enforce payment of debts.</p> <p>Agencies use sub-accounts to determine the status of accounts receivable from unbilled to billed since the SGL currently does not have accounts to track this action. This is an acceptable practice; however, agencies that use these sub-accounts to accomplish this action should update the general ledger from unbilled to billed.</p>	RMB-06 RMB-11 RMB-12 RMB-13 RMB-15 RMB-16 RMB-17 RMB-09 RMB-10 RMB-14
RM 4.3.4	Send Bill to Customer/Debtor	The agency requests payment from the customer/debtor.	The billing document is sent in electronic or hard-copy format, depending on the method agreed to by the customer.	

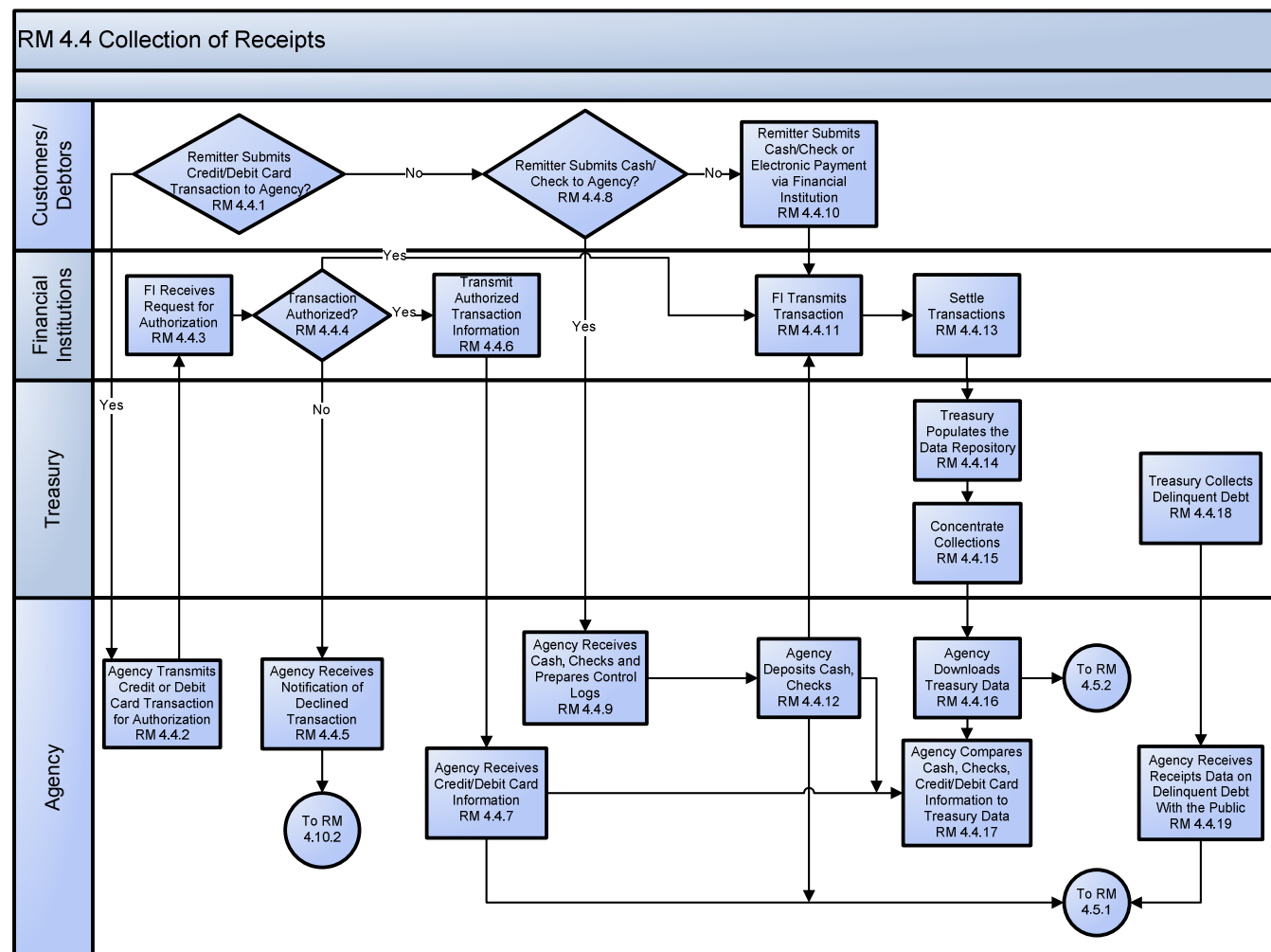
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.3.5	Customer/Debtor Receives Billing Document	A billing document representing a record of claim is received by the debtor/customer.		

4.4 COLLECTION OF RECEIPTS

This section provides the process for receiving and controlling monies collected on associated debts, and recording in the general ledger.

The following flowchart provides key steps in the processes agencies use to control and capture information for monies received. The steps depicted in the functional lanes for Treasury and Financial Institutions are included to provide general information on processes currently under development, by Treasury. The intent is not to provide detail on how those procedures will function, but rather to provide background for the flow of data that will be received by agencies.

RM 4.4 – Collection of Receipts Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Collection of Receipts process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.4.1	Remitter Submits Credit/Debit Card Transaction to Agency?	The remitter initiates payment to the agency by using a credit or debit card.		
RM 4.4.2	Agency Transmits Credit or Debit Card Transaction for Authorization	The agency accepts payment via a credit or debit card and sends information to a designated Financial Institution (FI) for authorization.	Based on its arrangement with an FI, an agency performs applicable settlement procedures for transactions transmitted.	RMD-01
RM 4.4.3	FI Receives Request for Authorization	The designated FI processes the transaction electronically.		
RM 4.4.4	Transaction Authorized?	The FI authorizes or declines the transaction request.		
RM 4.4.5	Agency Receives Notification of Declined Transaction	Agency receives notice from FI that a transaction has been declined.	Agencies must research declined transactions in order to determine the reason the transaction was declined and take appropriate subsequent action. The agency informs the customer the transaction is not authorized.	
RM 4.4.6	Transmit Authorized Transaction Information	The applicable FI(s) (including Federal Reserve Bank (FRB), as applicable) receives, processes, and transmits the transactions electronically. Program and financial data are received by FIs which were initially remitted through various mechanisms including over-the-counter, Web page, mail, electronic terminal, electronic file, phone, etc.	Transactions must be validated and processed in a timely manner. Agency policies and procedures will define frequency in which actions are performed.	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.4.7	Agency Receives Credit/Debit Card Information	The agency receives the transaction authorization number, date received, and partial credit card account number, as applicable, from the FI.		
RM 4.4.8	Remitter Submits Cash/Check to Agency	A remitter pays the agency directly with cash or a check.		RMD-01
RM 4.4.9	Agency Receives Cash, Checks, and Prepares Control Logs	Finance receives a payment in the form of cash or check and logs the information for tracking and internal control purposes.	<p>In accordance with internal control activities common to all agencies, key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing, processing and recording, and reviewing the transactions, as well as handling any related assets. No one individual should control all key aspects of a transaction or event.</p> <p>Cash and checks received at the agency should, at a minimum, be deposited daily. Agencies must design and implement policies and procedures incorporating sound internal controls to safeguard and account for not only daily collections, but also for collections that cannot be deposited by the end of each day. Such undeposited collections must be included in applicable financial reports.</p>	
RM 4.4.10	Remitter Submits Cash/Check or Electronic Payment via FI	A remitter submits cash, check, or initiates an electronic transaction through applicable FI channels.	<p>Payments involving electronic and cash equivalents include transactions initiated by phone, electronic check, Internet/Web (including pay.gov), Fedwire, and Automated Clearing House transactions.</p> <p>Agencies may manually process hard copy checks, utilize the Paper Check Conversion process, or other approved automated process.</p>	RMD-01

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.4.11	FI Transmits Transaction	<p>The applicable FI(s) (including FRB, as applicable) receives, processes, and transmits the transactions electronically.</p> <p>Program and financial data are received by FIs which were initially remitted through various mechanisms including over the counter, Web page, mail, electronic terminal, electronic file, phone, etc.</p>	Transactions must be validated and processed in a timely manner. Agency policies and procedures will define frequency in which actions are performed.	
RM 4.4.12	Agency Deposits Cash, Checks	Designated agency personnel deposit cash and checks received to the designated FI via Treasury sponsored electronic processing tools.	Agencies must capture and maintain sufficient supporting documentation for each deposit to support the application of receipts to customer subsidiary records and the general ledger.	
RM 4.4.13	Settle Transactions	Settlement occurs at both FIs and FRBs acting on behalf of Treasury.	Settlement results in a deposit at the applicable institution.	
RM 4.4.14	Treasury Populates the Data Repository	Treasury makes collections data available to agencies by populating the Transaction Reporting System (TRS) data repository.	<p>Treasury will use the TRS as a centralized repository of detailed collection transaction information. It will provide a single touch point from which an agency can obtain transaction data and standard reports, integrating information across all collections channels and settlement mechanisms.</p> <p>TRS will capture Treasury Account Symbol (TAS) and Business Event Type Code (BETC) information from the various sending trading partner (STP) channel applications, or it will receive Classification Keys from the STPs, which can be "translated" into TAS/BETC details.</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.4.15	Concentrate Collections	The deposit data for the funds from Commercial FIs and the FRBs are concentrated and captured in the Treasury General Account (TGA) Fund.	Concentration is performed by applicable systems at FRBs and/or commercial FIs. Concentration moves funds from an account that settles the transactions to the TGA Fund at the Federal Reserve Bank of New York.	
RM 4.4.16	Agency Downloads Treasury Data	The agency downloads Treasury collections data, including both summary and detailed transaction records.	The TRS data includes Treasury confirmations of deposit tickets and credit/debit card transactions as well as all other transactions processed by Treasury.	TLD-01 SMD-07
RM 4.4.17	Agency Compares Cash, Checks, Credit/Debit Card Information to Treasury Data	Treasury records of agency deposits are compared to agency records of its deposits made.	The TRS data, which will be available daily, is used to confirm Treasury received and captured the transactions. A timing difference may occur between the time the agency captures the collection and the time the collection is reflected in TRS. Agencies must compare their records of deposits to Treasury records of deposits on a periodic basis. These comparative procedures must be performed until differences are resolved. All resolutions should be made on a timely basis.	
RM 4.4.18	Treasury Collects Delinquent Debt	Treasury or the DOJ transmits data to the agency for collections of delinquent debt with the public collected on behalf of the agency.		
RM 4.4.19	Agency Receives Receipts Data on Delinquent Debt With the Public	The agency receives receipts data from Treasury, via the Intra-Governmental Payment and Collection system, on delinquent debt with the public.	Best practice is to capture receipts data to reflect the current status of the bill.	

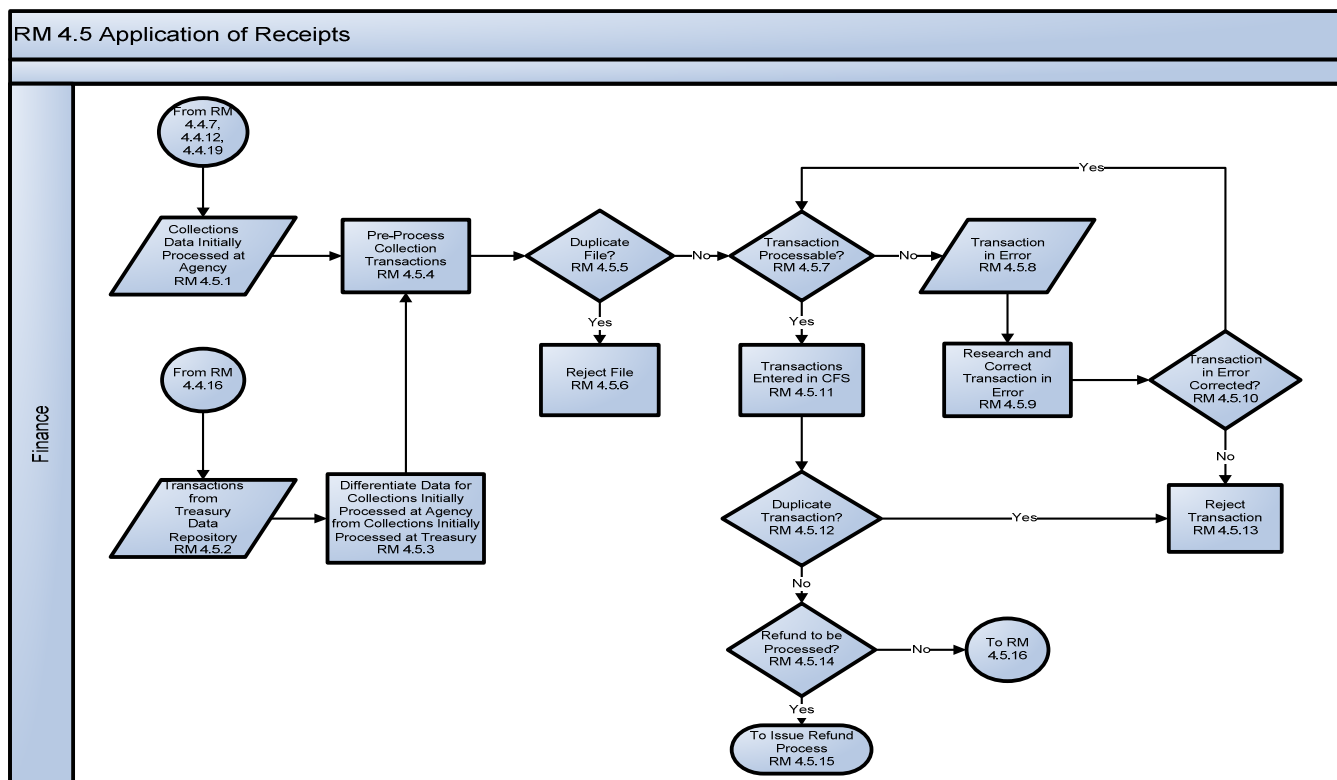
4.5 APPLICATION OF RECEIPTS

This section provides the process the process for the application of monies received/collected. Receipts should be recorded to the general ledger as quickly as possible. Application of receipts may be supported by information from the impacted business area to support timely and accurate posting. This chapter addresses five general ledger recording scenarios for receipts:

- Receipts applied to a customer account but not to a specific bill;
- Receipts applied to a customer account and a specific bill;
- Receipts applied to applicable revenue accounts;
- Receipts applied to Treasury's general fund; and
- Unapplied collections.

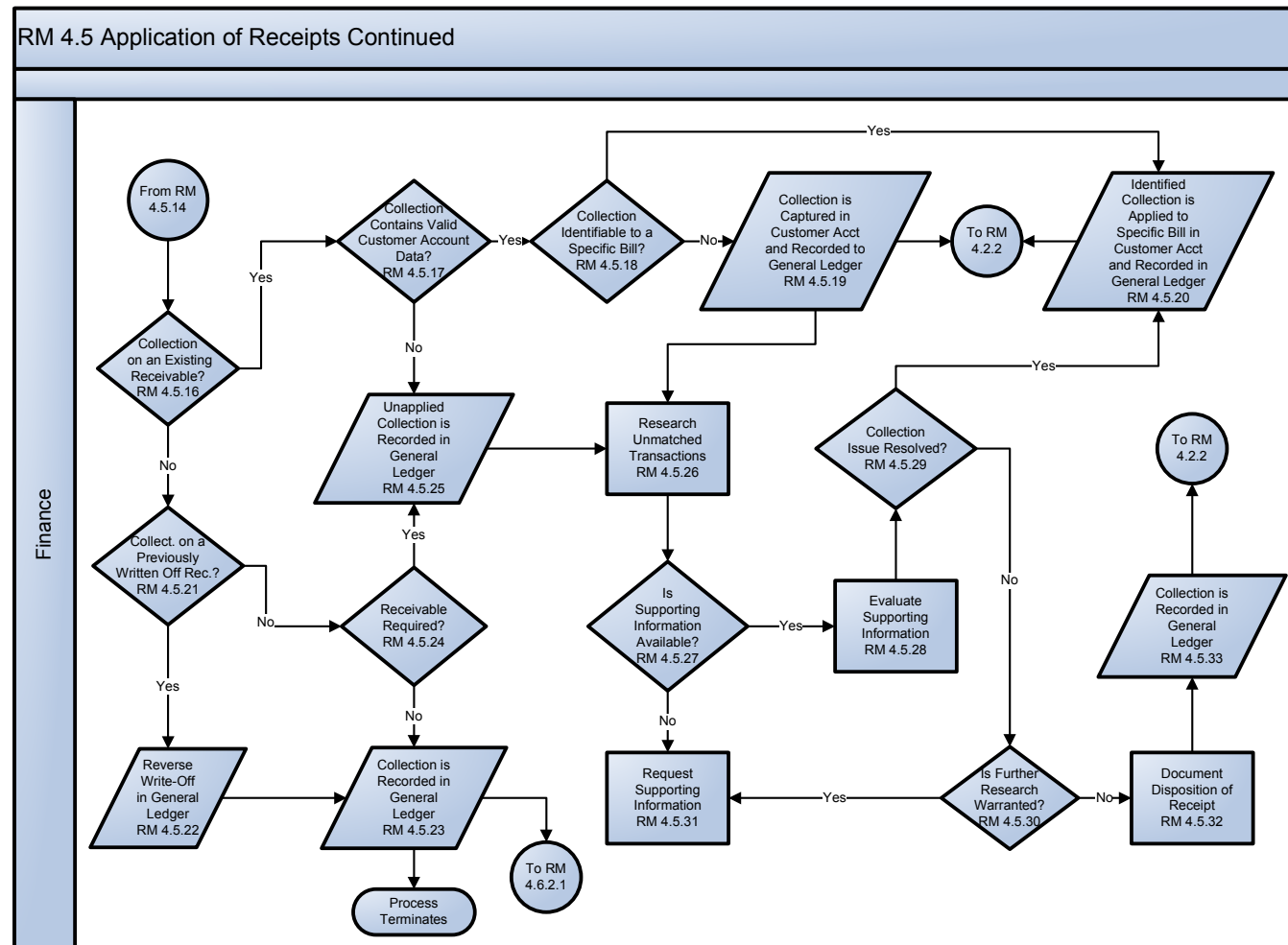
Receipts are recorded regardless of whether they are associated with transactions previously established as a receivable. Receipts associated with over the counter purchases and/or previously written off receivables are examples of cases where agencies may receive collections which were not previously established as a receivable. The following flowchart provides key steps in the processes agencies use to process and capture receipts information to customer/debtor accounts and record the appropriate transactions to the general ledger.

RM 4.5 – Application of Receipts Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

RM 4.5 – Application of Receipts Flowchart Continued



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Application of Receipts process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.5.1	Collections Data Initially Received at Agency	This data represents credit/debit card, cash, and/or check remittances made directly to the agency.	Collection data must be captured.	RMD-01
RM 4.5.2	Transactions from Treasury Data Repository	This data has been downloaded and sorted by transaction type and includes both remittance information originally received directly by the agency as well as remittance information originally received at Treasury.		
RM 4.5.3	Differentiate Data for Collections Initially Processed at Agency from Collections Initially Processed at Treasury	Finance determines whether transactions from TRS were initially processed by the agency or initially processed at Treasury.	Prior to processing Treasury data in the Core Financial System, the agency applies edit checks to each collection transaction from TRS to determine whether it was initially processed by the agency and then submitted to Treasury. The TRS data is used to confirm Treasury received and captured the transactions one or more days after the agency has received and captured the collections.	
RM 4.5.4	Pre-Process Collection Transactions	Each file of transactions downloaded from TRS and other sources is subjected to edit and validity checks prior to being processed in the Core Financial System.	<p>Edit and validity checks are applied to each transaction file to determine whether required data has been provided and whether the file is a duplicate which has already been processed by the agency. Automated checks are applied to validate such specifications as the file layout, number of fields, validity of applicable fields, completeness, and header and trailer records.</p> <p>Key data required can include customer number, bill number and associated amounts, TAS, Treasury Appropriation Fund Symbol (TAFS), Agency Location Code (ALC), and</p>	TLD-02 TLD-03 TLD-05

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			other applicable agency information.	
RM 4.5.5	Duplicate File?	Based on the results of edit and validity checks, the agency determines whether the files from Treasury or other sources represent duplicate files previously processed by the agency.	Agencies should have adequate internal controls to prevent the loading of a duplicate file into the Core Financial System. Agencies must implement procedures to readily identify duplicate files prior to loading such files to the Core Financial System.	TLD-05
RM 4.5.6	Reject File	A duplicate file is rejected and not processed.	Agencies should develop and implement applicable internal controls to prevent processing of duplicate files.	TLD-05 TLD-06
RM 4.5.7	Transaction Processable?	Transactions lacking data in required fields are not processable.	Agencies must implement data validity checks to identify transaction record fields with incomplete or invalid data prior to loading such data to the Core Financial System.	TLD-02 TLD-03 TLD-05
RM 4.5.8	Transaction in Error	The Core Financial System generates a file of transactions considered to be in error status because one or more key required fields (e.g., customer number, organization code) lack valid data.	Transaction record fields with incomplete or invalid data result in a transaction being categorized as an error.	TLD-04 TLD-06
RM 4.5.9	Research and Correct Transaction in Error	The agency researches and corrects/completes data for transactions in error.	Collection transactions in error must be corrected/edited to enable processing of those transactions in the Core Financial System.	TLD-04 TLD-05
RM 4.5.10	Transaction in Error Corrected?	The agency determines whether or not the transaction error has been corrected.	Documentation supporting transaction error corrections must be maintained.	TLD-04
RM 4.5.11	Transactions Entered in Core Financial System	Transactions are entered in the Core Financial System.	Agencies should develop appropriate internal controls and related procedures to enable accurate and complete processing of transactions in the Core Financial System.	RMD-01 TLD-01 TLD-03 TLD-04

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.5.12	Duplicate Transaction?	Based on the results of edit and validity checks, the Core Financial System determines whether individual transactions represent duplicates of transactions already processed in the Core Financial System.	Key data fields are validated to identify duplicate transactions.	SMB-06
RM 4.5.13	Reject Transaction	Duplicate transactions are rejected by the Core Financial System.	A report should be generated to track rejected transactions. Agencies should implement procedures to research and correct the cause of such duplicate transactions.	SMB-11
RM 4.5.14	Refund to be Processed?	Based on evaluation of amounts received, Finance determines the need to process a refund.		
RM 4.5.15	To Issue Refund Process	If the amount received is in excess of the amount due, Finance processes a refund through the execution of a refund process. The refund process will be defined in an updated release of the Payment Standard Business Process. updated		
RM 4.5.16	Collection on an Existing Receivable?	The Core Financial System determines whether the collection pertains to an accounts receivable or represents a collection for which there is not an existing accounts receivable .	For collections against receivables, an agency must reference the receivable document and update customer records and related billing information. Examples of collections without receivables include over the counter purchase, early payment, etc.	RMD-02 RMD-03
RM 4.5.17	Collection Contains Valid Customer Account Data?	Determine whether the collection data includes a valid customer account.	Compare the customer account in the transaction record to the customer accounts established as described in section RM 4.1.	
RM 4.5.18	Collection Identifiable to a Specific Bill?	Determine whether the collection transaction includes the necessary data to be captured by a specific bill on a customer account.	Apply data checks to determine whether the agency bill number is present or can be determined from other applicable information such as	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			a PO.	
RM 4.5.19	Collection is Captured in Customer Account and Recorded to General Ledger	The collection is captured in the customer account.	<p>The entries are recorded in the general ledger using the USSGL Account Transaction Listing provided in the TFM. Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM-C109: To record the receipt of previously anticipated collections.</p> <p>TFM-C138: To record the collection of refunds receivable for assets purchased or expenses incurred in the current year that create budgetary resources when collected.</p> <p>For guidance on applying payments against delinquent debt, see Treasury's <i>Managing Federal Receivables</i> and the Federal Claims Collections Standards. This guidance particularly illustrates the order in which the payment is applied against delinquent debt classes and also provides exceptions to that application order.</p>	GLB-01 GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 RMD-02 RMD-04 RMD-06 RMD-07 SMB-02 SMB-33
RM 4.5.20	Identified Collection is Applied to Specific Bill in Customer Account and Recorded in General Ledger	Transactions that pass all edit and validity checks are applied to a specific customer/debtor bill as well as the general ledger.	<p>The entries are recorded using the USSGL Account Transaction Listing provided in the TFM. Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM-C109: To record the receipt of previously anticipated collections.</p> <p>TFM-C138: To record the collection of refunds receivable for assets purchased or expenses incurred in the current year that create budgetary resources when collected.</p>	GLB-01 GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 RMD-02 RMD-04 RMD-06 RMD-07 SMB-02 SMB-33

RM 4.5.21	Collection on a Previously Written Off Receivable?	The agency determines if the collection was on a previously written-off receivable.	Agencies would also record the collection of delinquent debts that have been written off, closed out, or waived. Treasury's <i>Managing Federal Receivables</i> provides guidance to allow agencies to develop procedures for the pursuit of collection after classification of debt into a write-off/currently not collectable status.	
RM 4.5.22	Reverse Write-Off in General Ledger	The entry originally recorded to write off the accounts receivable is reversed.	<p>The entry is recorded based on the original entry to write off the accounts receivable in the general ledger. The entries originally recorded to write off the accounts receivable are represented in whole or in part in the business rule for step RM 4.8.4 "Record Write-Off in General Ledger".</p> <p>Entries to applicable interest, administrative fee, and penalty accounts must also be reversed as well as the contra allowance accounts for each.</p>	RMD-05

RM 4.5.23	Collection is Recorded in General Ledger	Collections are recorded to applicable general ledger accounts when receivables were not previously established or when the receivable was waived or written off.	<p>Agency guidelines should define circumstances in which entries are recorded to applicable revenue accounts versus a General Fund Receipt posting.</p> <p>If the agency determines the entry should be recorded to applicable revenue accounts, the entries are recorded using the USSGL Account Transaction Listing provided in the TFM. Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM-C640: To record the proceeds from commodities sold.</p> <p>TFM-C646: To record the sale or disposition of assets other than personal properties and investments.</p> <p>If the agency determines the entry should be recorded to the General Fund Receipt Account, the entries are recorded using the USSGL Account Transaction Listing logic provided in the TFM. Examples include, but are not limited to, the following transaction code from the current TFM:</p> <p>TFM-C141: To record the collection of custodial revenue from a non-Federal source that is deposited to a miscellaneous receipt account.</p>	RMD-03 RMD-05 RMD-06 RMD-07 GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 SMB-02 SMB-33
RM 4.5.24	Receivable Required?	For collections not on an existing accounts receivable, the Core Financial System determines whether the transaction data is complete and valid.	<p>The Core Financial System applies edit and validity checks to determine if the collections data provided is sufficient to record applicable entries to the general ledger.</p> <p>For collections without receivables, an agency must record collections with corresponding revenues, expenditure reductions, advance/prepayment reclassifications, or other offsets.</p>	

RM 4.5.25	Unapplied Collection is Recorded in General Ledger	Collection transactions lacking key information required to be applied to customer accounts and/or revenue accounts are recorded as unapplied collections in the general ledger.	<p>Agencies record unapplied collections to applicable accounts as permitted under Treasury guidance.</p> <p>The entries are recorded using the USSGL Account Transaction Listing provided in the TFM. Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM-C108: To record the receipts reported into deposit funds and clearing accounts.</p> <p>TFM-C152: To record unapplied receipts into fund symbols that require budgetary reporting.</p>	RMD-03 GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 SMB-33
RM 4.5.26	Research Unmatched Transactions	The agency researches transactions that are not matched to a customer/debtor account or other valid collection type.	Agencies must resolve all unapplied collections. Agencies can use the following tools to facilitate resolution: aging reports, tracking of types of collections, data queries, etc.	
RM 4.5.27	Is Supporting Information Available?	Finance determines whether sufficient supporting information is available to research and resolve unapplied collections.	Agencies design and implement workflow processes in and around the CFSR that move information on unapplied collections to appropriate areas for research and resolution.	
RM 4.5.28	Evaluate Supporting Information	Supporting information received is evaluated to determine if sufficient information exists to properly identify and apply collection transactions.	Finance monitors and evaluates the responses to information requests related to unapplied collections.	
RM 4.5.29	Collection Issue Resolved?	If sufficient information has been received and input to collection transaction records, Finance records the transactions to the general ledger as identified collections. Previous entries to record unapplied collections are reversed.		

RM 4.5.30	Is Further Research Warranted?	If the unidentified collection issue is not resolved, Finance determines whether further research efforts are warranted.	Cost effective efforts should continue if an agency determines that such efforts have some potential to result in resolution of the collection issue. Agencies may use discretion in determining threshold amounts below which it is not considered cost effective to continue efforts to resolve the collection issue.	
RM 4.5.31	Request Supporting Information	Request information from the business unit (functional area) that can assist in properly identifying the collection transactions.		
RM 4.5.32	Document Disposition of Receipt	Further research is not warranted to resolve the unidentified collection issue.	Further research is not warranted to resolve the unidentified collection issue. Agencies should monitor and maintain records of collections that will not be applied and will be recorded as miscellaneous receipts to the Treasury general fund.	

RM 4.5.33	Collection is Recorded in General Ledger	Reverse the entry originally recorded as an unapplied collection and record the collection to an applicable revenue accounts or to a miscellaneous receipts account within the general fund of the Treasury.	<p>Agency guidelines should define circumstances in which entries are recorded to applicable revenue accounts versus a General Fund Receipt posting.</p> <p>If the agency determines the entry should be recorded to applicable revenue accounts, the entries are recorded using the USSGL Account Transaction Listing logic provided in the TFM. Examples include, but are not limited to, the following transaction code from the current TFM:</p> <p>TFM-C640 To record the proceeds from commodities sold.</p> <p>TFM-C646 To record the sale or disposition of assets other than personal properties and investments.</p> <p>If the agency determines the entry should be recorded to the General Fund Receipt Account, the entries are recorded using the USSGL Account Transaction Listing logic provided in the TFM. Examples include, but are not limited to, the following transaction code from the current TFM:</p> <p>TFM-C141 To record the collection of custodial revenue from a non-Federal source that is deposited to a miscellaneous receipt account.</p>	GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 SMB-33
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4.6 DELINQUENT DEBT PROCESSES

This section provides the process through which agencies restore delinquent debts to current status or, if unsuccessful, maximize collection on the agency's accounts. Generally, the probability of ultimately collecting delinquent amounts becomes lower as the age of the debt age increases; therefore, agencies debt collection strategy should promote the resolution of delinquencies as quickly as possible.

This section represents debt collection processes available to assist agencies to collect debts for those customer/debtor accounts that have become delinquent and supplements the debt collection statutes and regulations in addition to agency policies and procedures.

This section is broken down into two categories:

- RM 4.6.1 Dunning; and
- RM 4.6.2 Delinquent Debt Collection.

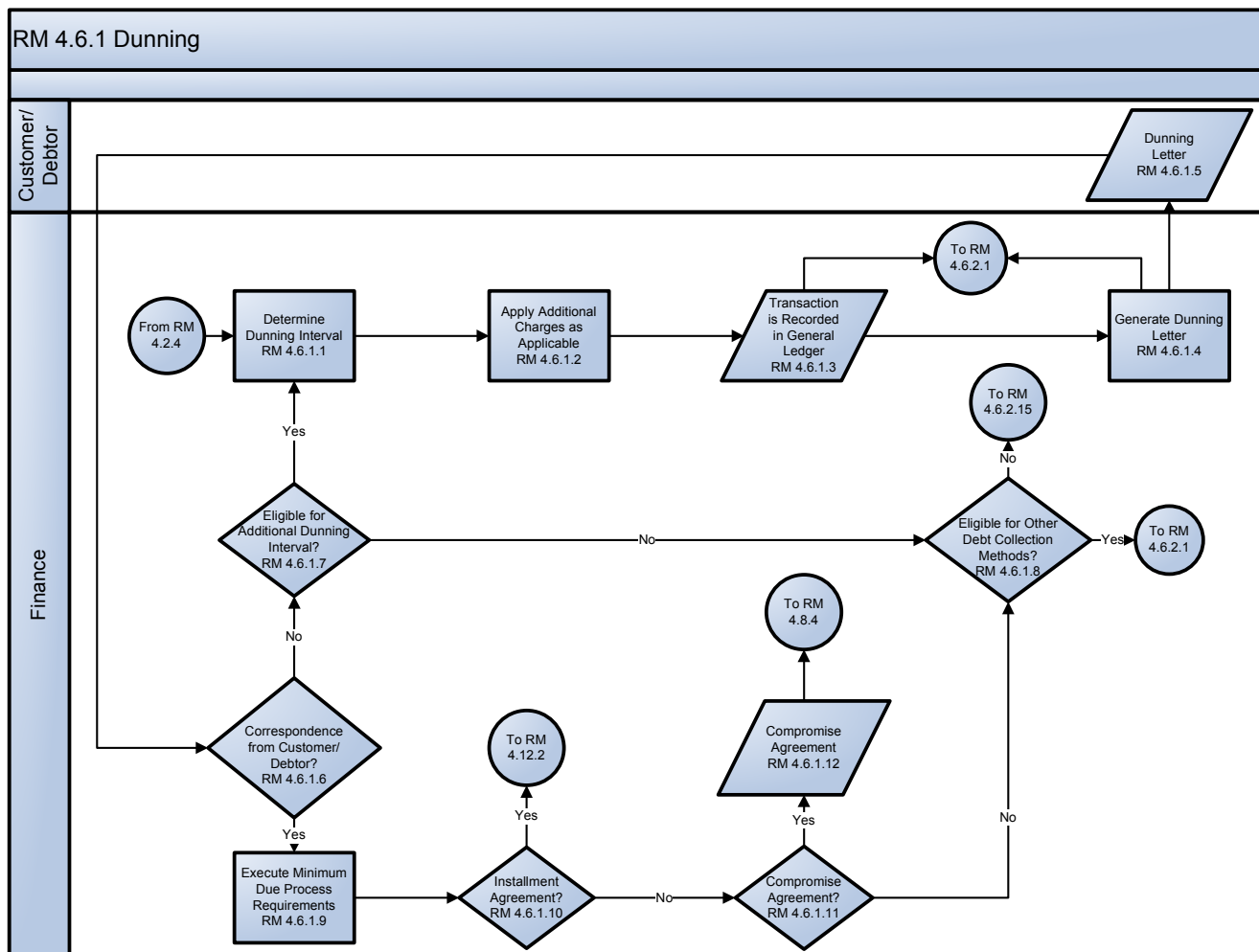
4.6.1 DUNNING

This section provides the process of communicating with customers to ensure the collection of eligible (delinquent) accounts receivable. Except in rare circumstances, Treasury's *Managing Federal Receivables* provides that no more than two dunning letters should be sent. The additional intervals described in this process allow an agency the option of sending more than two dunning letters, if needed. Dunning is integral to agencies' due diligence prior to referral to FedDebt (FMS).

This process illustrates that installment agreements and compromise agreements should be considered, where applicable, to a customer/debtor response to a dunning letter. Agencies may, however, consider installment agreements and/or compromise agreements, when appropriate, within the first 30 days of the debt life cycle.

The following flowchart provides key steps in the processes agencies use to perform dunning procedures on eligible customer/debtor accounts.

RM 4.6.1 – Dunning Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Dunning process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.6.1.1	Determine Dunning Interval	Each accounts receivable is regularly evaluated to determine if it is delinquent and therefore eligible for the first dunning interval or for the appropriate subsequent interval.	<p>An eligible accounts receivable is dunned at the first applicable and subsequent time intervals. Accounts are dunned at periodic intervals (e.g., 30-day intervals).</p> <p>Delinquent accounts should be dunned based on Federal statutes such as the Debt Collection Act of 1982 and the DCIA. Federal regulations on debt collection, such as the Federal Claims Collection Standards, government-wide debt collection guidance such as OMB Circular A-129, Treasury's <i>Managing Federal Receivables</i>, and agency policies and procedures.</p>	
RM 4.6.1.2	Apply Additional Charges as Applicable	<p>Additional charges are calculated and applied to the account as of the end date of the applicable interval as follows:</p> <p>Interest and administrative costs are calculated and applied to the account as of the end date of dunning intervals one, two, three, and four.</p> <p>Penalties are calculated and applied to the account as of the end date of dunning intervals three and four only.</p>	<p>At Dunning intervals 1 and 2, only interest and administrative costs are applied. Dunning intervals 3 and 4 require the application of penalties in addition to interest and administrative costs. The specific rules for the application of additional charges to delinquent accounts, respective to the dunning interval are listed below.</p> <p>Interest Interval 1: Calculate and capture late payment interest based on Treasury's Current Value of Funds Rate (CVFR) unless otherwise specified by the agency.</p> <p>Best practice for applying interest to delinquent debts is to assess interest based on the original bill date.</p> <p>For additional guidance on applying interest to delinquent debts, see Treasury's <i>Managing Federal Receivables</i> and the Debt Collection Act of 1982.</p> <p>Administrative Costs Interval 1: Calculate and capture administrative costs in accordance with agency</p>	RMC-01 RMC-02 RMC-03

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>policy and procedures.</p> <p>For guidance on assessment and application of fees incurred as a result of debt collection activity on delinquent debts, see Treasury's <i>Managing Federal Receivables</i>.</p> <p>Interest Interval 2: See Interest Interval 1.</p> <p>Administrative Costs Interval 2: See Administrative Costs Interval 1.</p> <p>Interest Interval 3: See Interest Interval 1.</p> <p>Administrative Costs Interval 3: See Administrative Costs Interval 1.</p> <p>Penalty Interval 3: For guidance on assessment and application of penalties associated with delinquent debts, see Treasury's <i>Managing Federal Receivables</i>.</p> <p>Interest Interval 4: See Interest Interval 1.</p> <p>Administrative Costs Interval 4: See Administrative Costs Interval 1.</p> <p>Penalty Interval 4: See Penalty Interval 3.</p>	
RM 4.6.1.3	Transaction is Recorded in General Ledger	Applicable information is captured to apply interest, administrative costs, and penalties to applicable customer accounts and recorded to the general ledger.	<p>Applicable interest, administrative costs, and penalties are captured within applicable customer accounts and applicable entries are recorded to the general ledger on a monthly basis.</p> <p>The entries are recorded using the USSGL Account Transaction Listing in the TFM. Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM C-402: To record an accrual of revenue reported on the Statement of Custodial Activity or on the custodial</p>	RMC-01 RMC-02 RMC-03 RMC-04 GLB-01 GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 SMB-02 SMB-33

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>footnote that is collected by an agency to be deposited directly into a General Fund receipt account</p> <p>TFM-C435: To record the accrual of interest revenue associated with USSGL account 2985 that is to be collected by the Bureau of the Public Debt and deposited directly into a Treasury Account Symbol that does not have budget authority.</p>	
RM 4.6.1.4	Generate Dunning Letter	A Dunning Letter, tailored to the applicable interval, is generated and sent to the customer/debtor.	The dunning letter is sent via electronic media or in hard copy, as appropriate for the customer/debtor.	RMC-06 RMC-07
RM 4.6.1.5	Dunning Letter	A dunning letter, tailored to the applicable interval, is the output from Step 3.	The dunning letter should describe the status of the debt as overdue and include: names/titles of debtor or responsible parties, amount owed, remittance terms and conditions and applicable payment due date. Terms and conditions must include actions that can be taken to collect the outstanding debt.	
RM 4.6.1.6	Correspondence From Customer/ Debtor?	Agencies monitor responses from customers to dunning letters, communications on installment agreements, compromise agreements, and other applicable communications regarding debt owed the Agency.	<p>A customer/debtor response to a dunning letter may be of a financial or non-financial nature. In the case of financial responses (e.g., receiving payment, partial or in full), the agency should initiate the Collection of Receipts (RM 4.4) and Application of Receipts (RM 4.5). In the case of non-financial responses or partial financial responses, the agency should proceed to execute the minimum due process requirements (RM 4.6.1.9).</p> <p>An agency must provide appropriate guidelines and training to its employees whose duties include contacting debtors.</p> <p>Within 20 days after the payment due date or at the end of any grace period</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>contractually established, the agency should contact the debtor, by letter or phone, in an attempt to resolve the nonpayment.</p> <p>It is essential that the agency continue to document all agency contacts with a debtor and actions taken to enforce collection in order to protect the government's interests. An agency's automated systems may be used to document contacts with the debtor and other debt collection activities so long as the manner in which the information is retained is sufficient for evidentiary purposes in a court or administrative proceeding.</p> <p>An agency should take action to recover a debt from secondary debtors (co-borrowers or guarantors) when it becomes apparent that the primary debtor cannot or will not repay a debt. The agency should employ the same debt collection techniques and tools in pursuing secondary debtors as it uses for primary debtors. If a delinquent debt is referred to FMS for cross-servicing, FMS will attempt to collect the debt through the co-borrower or guarantor as it would with the primary debtor, if it is agreed to with the agency.</p> <p>An agency should consider using digital imaging as a way to maintain copies of debt collection documentation.</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.6.1.7	Eligible for Additional Dunning Interval?	The account is due for dunning at the next interval if it remains delinquent and has already been dunned at the previous interval.	<p>The following business rules repeat those in step RM 4.6.1.1:</p> <p>An eligible accounts receivable is dunned at the first applicable and subsequent time intervals. Accounts are dunned at periodic intervals (e.g., 30-day intervals).</p> <p>Delinquent accounts should be dunned based on Federal statutes such as the Debt Collection Act of 1982 and the DCIA, Federal regulations on debt collection, such as the Federal Claims Collection Standards, government-wide debt collection guidance such as OMB Circular A-129 and Treasury's <i>Managing Federal Receivables</i>, and, in addition to, agency policies and procedures.</p>	
RM 4.6.1.8	Eligible for Other Debt Collection Methods?	<p>Customer/debtor accounts that have either exhausted all dunning intervals or are not appropriate to execute another dunning interval are evaluated for other debt collection methods (non-centralized administrative offset, wage garnishment, referral to applicable legal function, and/or referral to Treasury).</p> <p>Customer/Debtor accounts are also evaluated for other debt collection tools when the agency determines that installment/compromise agreements are either not appropriate or not acceptable to either party involved.</p>	For guidance on referral to the FMS for cross-servicing and/or to the Treasury Offset Program (TOP), see Treasury's <i>Managing Federal Receivables</i> . The guidance provides debt referral eligibility criteria as well as eligibility exceptions.	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.6.1.9	Execute Minimum Due Process Requirements	Due process requirements are performed for each customer responding to dunning letters.	<p>In the context of Federal debt collection, the constitutional right of “due process” requires an agency to provide debtors with notice of, and the opportunity to dispute, a debt or intended debt collection action. Notice must include the amount and type of debt owed, and the actions to be taken by an agency to collect the debt, such as adding interest and late charges, offset or garnishment, and credit bureau reporting.</p> <p>An agency should provide a customer an opportunity to dispute the debt or the adverse collection action to be taken. At a minimum, the customer should have the opportunity to challenge (1) the existence of all or part of the debt, and/or (2) whether the agency has met the statutory or regulatory prerequisites for using the collection action mentioned in the notice.</p> <p>The minimum “due process” required is generally established by the statutes that authorize the use of a specific debt collection tool or by implementing regulations. Treasury’s <i>Managing Federal Receivables</i> guidance provides more information on the notices and opportunities to be provided to a debtor.</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.6.1.10	Installment Agreement?	An official installment agreement is considered.	<p>Whenever possible, an agency should attempt to collect an overdue debt in a single lump sum. In the event that the debtor claims financial inability to repay the debt in a single lump sum, the agency may consider collecting the overdue debt in installments.</p> <p>The agency must determine whether the terms of a proposed installment agreement are viable. There must be a strong likelihood the customer/debtor will comply with the terms of the agreement.</p> <p>Typically, agencies consider offering installment agreements as a tool to resolve outstanding debt with its customers at a delinquent stage. However, when appropriate, an agency may determine that an installment agreement may be offered within the first 30 days.</p>	RMB-23
RM 4.6.1.11	Compromise Agreement?	An agency may consider entering into a compromise agreement with a customer/debtor.	<p>A compromise may be considered (but is not required) when one or more of the following criteria apply:</p> <ul style="list-style-type: none"> • The debtor is unable to pay the debt within a reasonable time period; • The agency is unable to enforce collection within a reasonable time period; • The cost of collection does not justify enforced collection of the full amount; or • There is real doubt concerning the government's ability to prove its case in court. <p>The agency must determine whether the terms of a proposed compromise agreement are viable. There must be a strong likelihood the customer/debtor will comply with the</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>terms of the agreement.</p> <p>Using the Claims Collection Litigation Report (CCLR), an agency must refer compromise proposals where the principal amount of the debt exceeds \$100,000 (or such larger amount as may be determined by the Attorney General) to the Department of Justice (DOJ) for its concurrence in the compromise. DOJ has delegated to the Financial Management Service (FMS) the authority to compromise a debt with a principal amount of \$500,000 or less when the debt is being serviced by FMS in its cross-servicing program.</p> <p>The Federal Claims Collections Standards state that laws and regulations that are specifically applicable to claims collection activities of a particular agency generally take precedence over government-wide claims collection standards.</p> <p>Typically, agencies consider offering compromise agreements as a tool to resolve outstanding debt with their customers at a delinquent stage. However, when appropriate, an agency may determine that a compromise agreement may be offered within the first 30 days.</p>	
RM 4.6.1.12	Compromise Agreement	An agency performs procedures to implement a compromise agreement, if applicable.	An agency should only compromise a debt when it has exhausted all other debt collection tools and further pursuit of collection is not cost effective.	

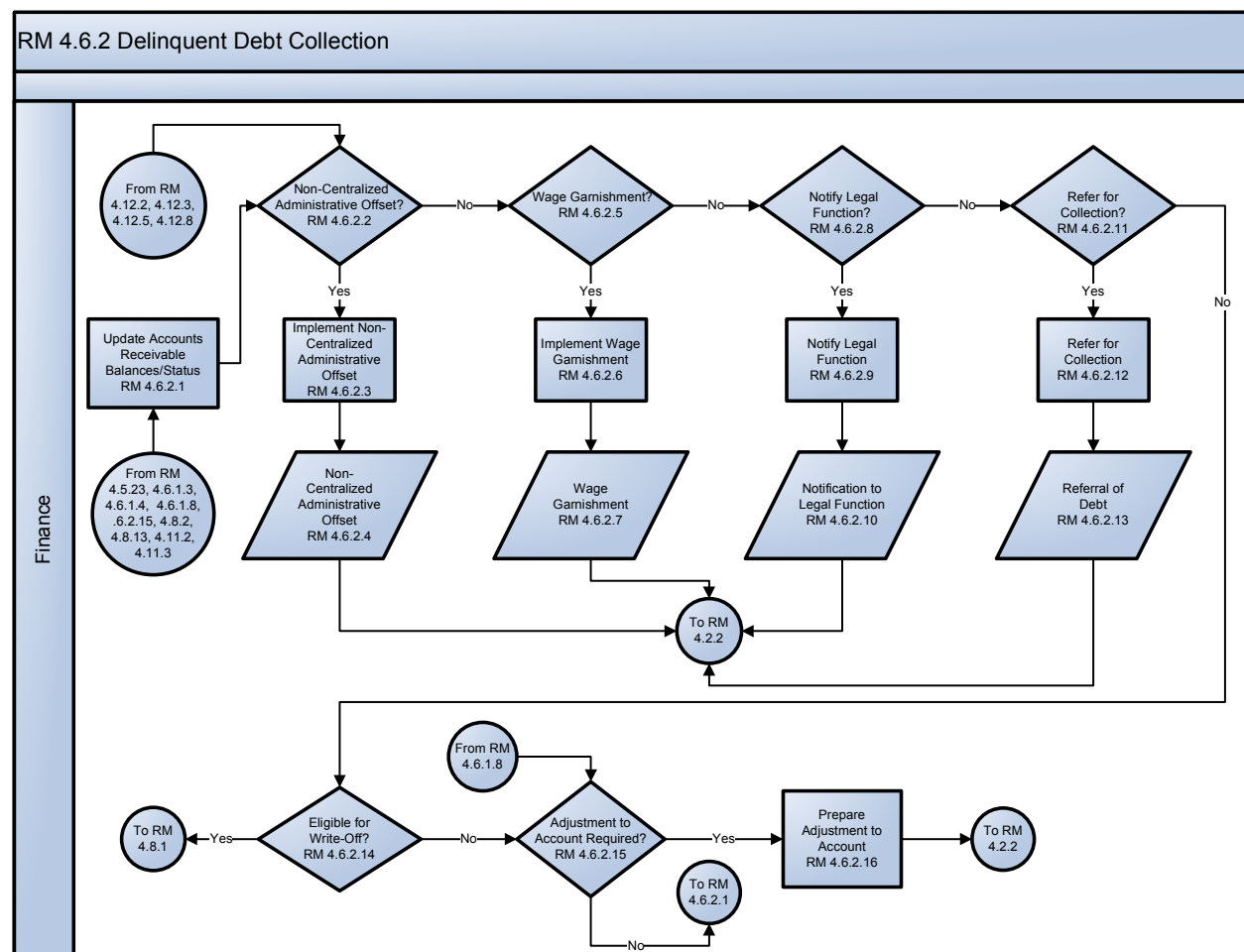
4.6.2 DELINQUENT DEBT COLLECTION

This section provides debt collection tools available to assist agencies (in addition to those provided in RM 4.6.1, Installment Plans and Compromise Agreements) to collect debts for those customer/debtor accounts that have become delinquent.

Delinquent debt collection is the process through which agencies restore the delinquent debts to current status or, if unsuccessful, maximize collection on the agency's accounts. Typically, this process is executed relative to those accounts that are identified as delinquent and subsequent to the exhaustion of the dunning process. Agencies may, however, consider non-centralized administrative offset, wage garnishment, or referral to applicable legal function to facilitate collection on a debt, within the first 30 days of the debt life cycle.

The following flowchart provides key steps in the processes agencies perform to collect debt on delinquent customer/debtor accounts and/or restore delinquent debts to current status.

RM 4.6.2 – Delinquent Debt Collection



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Delinquent Debt Collection process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.6.2.1	Update Accounts Receivable Balances/Status	Accounts receivable balances and status are updated based on inputs originating either internally or externally to the agency.	<p>Accounts receivable records, balances, and status are updated based on various events.</p> <p>Balances change due to:</p> <ul style="list-style-type: none"> Assessments of late payment interest; Assessments of penalties; Assessments of Administrative costs; Application of collections on delinquent debts; and Adjustments due to delinquent debts. <p>Statuses change due to:</p> <ul style="list-style-type: none"> Dunning referral date; The passage of time (from current to delinquent); and Events that change a delinquency status (e.g., bankruptcy, referral, etc.). <p>Capture applicable information within the subsidiary ledger and record applicable transactions to the general ledger to reflect the change in accounts receivable balances/status.</p>	RMB-02 RMC-01 RMC-02 RMC-03 RMC-04 RMC-05 RMC-16 RMC-18 RMD-01 RMD-02 RMD-04
RM 4.6.2.2	Non-Centralized Administrative Offset?	An agency considers whether to perform non-centralized administrative offset procedures.	An agency may request that another agency offset a Federal payment to satisfy a debt. This type of offset is known as “non-centralized administrative offset.” Another type of non-centralized administrative offset occurs when the payment agency is the same as the creditor agency, referred to as “internal offset.” Non-centralized offset can be used for internal offset, or when the	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>payment to be offset is not processed through the TOP or the creditor agency is unable to meet the 60-day notice requirement for debt submission to TOP but is otherwise able to comply with the due process prerequisites for offset.</p> <p>Agencies may consider Non-Centralized Administrative Offset within the first 30 days of the debt life cycle, when appropriate.</p>	
RM 4.6.2.3	Implement Non-Centralized Administrative Offset	An agency performs procedures to implement a non-centralized administrative offset as applicable.	Examples of circumstances for which non-centralized offset would be appropriate include internal offset and the offset of contractor payments when the creditor agency is the same as the payment agency; collection of travel advances and training expenses through a Federal employee's pay, retirement or other amounts due; offset of future retirement pay; and offset of Federal salary pay when offset is not available through TOP.	
RM 4.6.2.4	Non-Centralized Administrative Offset	An official non-centralized administrative offset is documented.		
RM 4.6.2.5	Wage Garnishment?	An agency considers whether to perform administrative wage garnishment procedures.	<p>The DCIA authorizes an Agency to collect a delinquent debt by administrative garnishment of the pay of a delinquent debtor who is employed by any organization, business, state or local government, or other entity other than a Federal agency. No court order is required.</p> <p>Agencies may consider Wage Garnishment within the first 30 days of the debt life cycle, when appropriate.</p>	
RM 4.6.2.6	Implement Wage Garnishment	An agency performs procedures to implement wage garnishment, as	For guidance on administrative wage garnishment implementation procedures or administrative wage	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		applicable.	garnishment itself, refer to Treasury's <i>Managing Federal Receivables</i> , which provides information on the notices and opportunities to be provided to a debtor. See also business rule for 4.2.15.	
RM 4.6.2.7	Wage Garnishment	An official wage garnishment is documented.	For guidance related to the procedures surrounding the official wage garnishment documentation, refer to FMS wage garnishment regulations and Treasury's <i>Managing Federal Receivables</i> , which provides information on the notices and opportunities to be provided to a debtor.	
RM 4.6.2.8	Notify Legal Function?	An agency determines whether the applicable legal functions should be notified to evaluate or act on applicable legal issues.	<p>Based on agency policies and procedures, debt and supporting documentation is forwarded to the applicable legal function, either intra-agency or external to the agency.</p> <p>Unless an agency has specific statutory authority to litigate its own debts, it must refer debts to DOJ for litigation, including bankruptcy litigation. For additional guidance on referring debts to DOJ for litigation, refer to Treasury's <i>Managing Federal Receivables</i>. This guidance also includes criteria that restrict an agency from referring debt to DOJ for litigation.</p> <p>Agencies may consider the advice of applicable legal counsel (internal or DOJ) within the first 30 days of the debt life cycle, when appropriate.</p>	
RM 4.6.2.9	Notify Legal Function	An agency performs procedures to notify the applicable legal functions (internal or external to the agency, as applicable) and provide applicable facts and documentation.	When referring a debt to DOJ for litigation, an agency must provide a fully completed Claims Collection Litigation Report (CCLR). For required information to be included on the CCLR, refer to Treasury's <i>Managing Federal Receivables</i> .	
RM 4.6.2.10	Notification to Legal Function	An official notification to the legal function is made which includes	In the case of debt being referred to DOJ for litigation, a completed CCLR with supporting	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		documentation of the issue with the applicable accounts receivable.	documentation is generated by the agency.	
RM 4.6.2.11	Refer for Collection?	The Agency determines whether to refer debt to Treasury FMS for collection.	For guidance on referral to the FMS for cross-servicing and/or to the Treasury Offset Program (TOP), see Treasury's <i>Managing Federal Receivables</i> . The guidance provides debt referral eligibility criteria as well as eligibility exceptions.	
RM 4.6.2.12	Refer for Collection	The Agency refers the debt to Treasury FMS.	<p>For guidance on referral to the FMS for cross-servicing and/or to TOP, see Treasury's <i>Managing Federal Receivables</i> and/or the DCIA. The guidance provides debt referral eligibility criteria as well as exceptions for eligibility.</p> <p>The agency must generate a delinquent debt referral file for transmission to Treasury in accordance with the DCIA. An agency may refer delinquent debts to FMS either through the FedDebt on-line client software or through a batch file.</p>	RMC-15
RM 4.6.2.13	Referral of Debt	The agency generates documentation supporting the debt being transferred to Treasury FMS.		
RM 4.6.2.14	Eligible for Write-Off	<p>The agency determines if the debt is uncollectible.</p> <p>If the debt is identified as uncollectible, the agency should write-off the debt.</p> <p>If the debt is not identified as uncollectible, the agency evaluates the need for an adjustment.</p>	Debts that are determined to be uncollectible on the agency's financial and management reports are determined to be uncollectible and should be written off.	
RM 4.6.2.15	Adjustment to Account Required?	Based on review of an accounts receivable, the agency determines whether an adjustment to the balance/status of the		

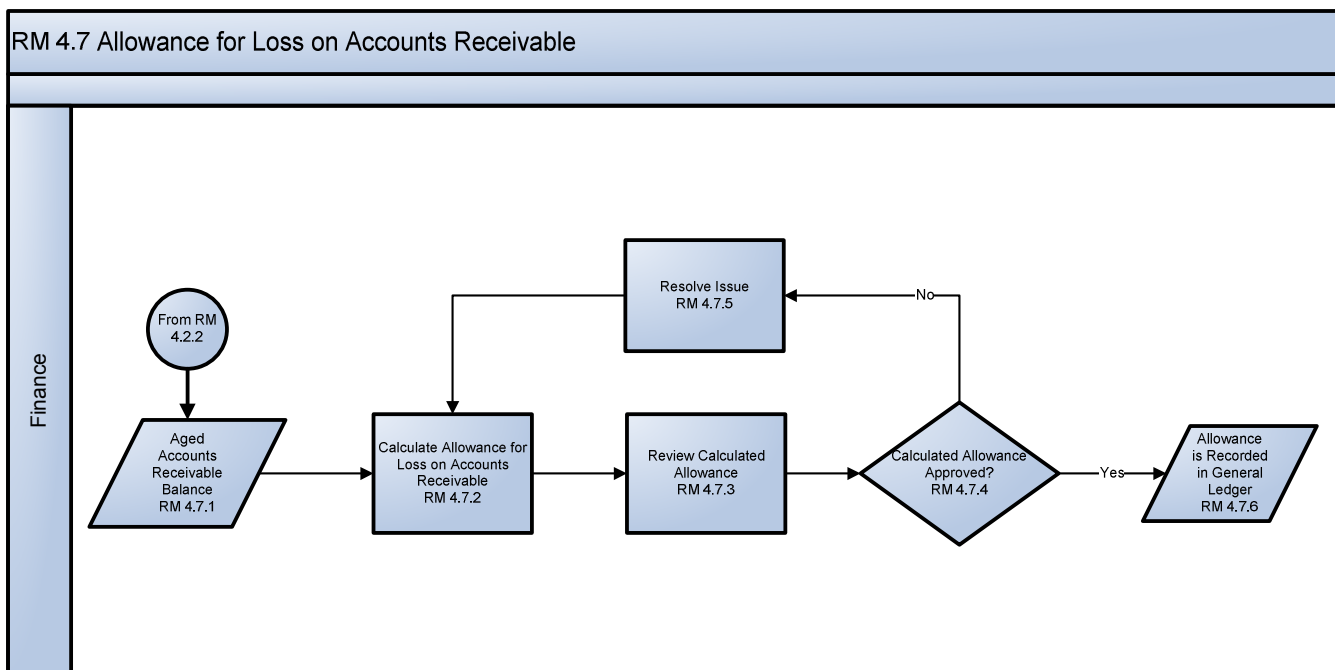
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		account is required.		
RM 4.6.2.16	Prepare Adjustment to Account	As applicable, the agency prepares an adjustment to the balance/status of the accounts receivable.	Proper segregation of duties must be followed when adjusting an accounts receivable balance.	

4.7 ALLOWANCE FOR LOSS ON ACCOUNTS RECEIVABLE

This section provides the process an agency uses to determine and record an allowance for loss on accounts receivable in the general ledger. The agency should establish the amounts in the allowance accounts based on portfolio condition and composition, historical experiences with losses, and actual write-offs taken in the preceding year or groups of years. The calculation can be performed at agency discretion; however, in practice, the calculation is generally only performed for financial statement preparation.

The following flowchart provides key steps in the processes agencies use to determine and record an allowance for loss on accounts receivable. The allowance for loss on accounts receivable process includes the aging of accounts receivables to determine the period of time outstanding for all receivable balances, the calculation of the allowance for loss on accounts receivable based on agency-defined criteria, review and approval of the calculated allowance, and subsequent entries made to the general ledger.

RM 4.7 – Allowance for Loss on Accounts Receivable Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Allowance for Loss on Accounts Receivable process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.7.1	Aged Accounts Receivable Balance	The initial input to the process is an aged summary of balances of accounts receivable outstanding for designated periods of time.	Agencies shall age receivables balances on a periodic basis by calculating the length of time accounts have been outstanding since the due dates.	
RM 4.7.2	Calculate Allowance for Loss on Accounts Receivable	An estimate is made of receivables that are expected to be uncollectible.	<p>As stated in Statements of Federal Financial Accounting Standards (SFFAS) No. 1, losses should be recognized when there is more than a 50% chance of loss occurrence. A systematic methodology should be used to measure losses based on analysis of both individual accounts and a group of accounts as a whole. Specific customer receivable balances representing significant amounts should be individually analyzed. Group analysis should be based on groups separated into homogeneous accounts with similar risk characteristics.</p> <p>The allowance for loss is calculated periodically for accounting purposes and financial statement reporting. A significant fluctuation in the allowance calculation, from period to period, may impact accounting operations.</p> <p>Treasury's <i>Managing Federal Receivables</i> guidance states that an agency should establish amounts in the allowance accounts based on any one of the following:</p> <ul style="list-style-type: none"> • Portfolio condition and composition; • Historical experience with losses; or • Actual write-offs taken in the preceding year or groups of years. 	RMC-17

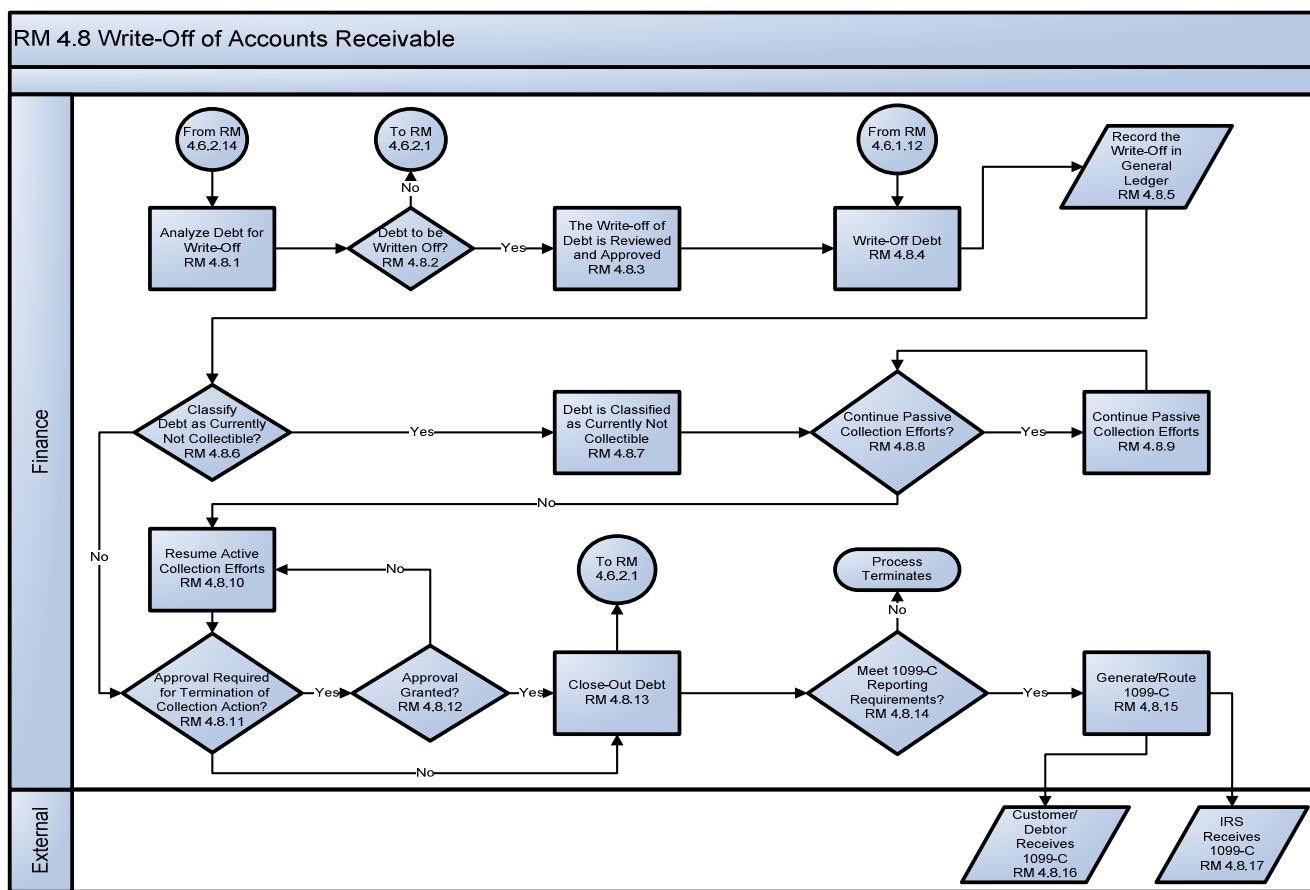
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.7.3	Review Calculated Allowance	Agency designated personnel review the calculated allowance.	The calculated allowance should be reviewed by designated personnel with knowledge of the outstanding accounts receivable balances.	
RM 4.7.4	Calculated Allowance Approved?	Agency designated personnel approve or disapprove the calculated allowance.	The calculated allowance should be approved by designated personnel, other than personnel calculating the proposed allowance, with knowledge of the outstanding accounts receivable balances.	
RM 4.7.5	Resolve Issue	Issues identified by supervisory personnel are addressed and applicable action(s) taken to recalculate the estimate of allowance for loss on accounts receivable.		
RM 4.7.6	Allowance is Recorded in General Ledger	Applicable entries are recorded to the allowance for loss on accounts receivable account within the general ledger.	<p>The entries are recorded using the USSGL Account Transaction Listing provided in the TFM. Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM-D402: To record an allowance for a reduction in revenue from non-Federal sources when realization is not probable (less likely than not).</p> <p>TFM-D404: To record the estimated allowance for bad debts related to non-credit-reform receivables.</p>	GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 RMC-17 SMB-02 SMB-33

4.8 WRITE-OFF OF ACCOUNTS RECEIVABLE

This section provides the process to determine and report debts/receivables as having no value on the agency's financial and management reports. Per OMB Circular No. A-129, write-offs must further be classified into two separate and distinct categories: currently not collectible (CNC) or close-out. Currently not collectible debts are those which the agency intends to continue cost effective debt collection action. Typically, the decision to classify written-off debt as currently not collectible is supported by circumstances that warrant the temporary suspension of collection activity when the agency plans to resume collection action at a future time triggered by an improvement in the debtor's financial position. Closed-out debts are those that are prohibited from further debt collection action or the agency does not plan to take any further collection action on the debt. The following organizations should follow IRS 1099-C guidelines and agency policy regarding the issuance of a 1099-C when closing out debts: a department, a court or administrative court, an agency instrumentality involved in the executive, judicial, or legislative branches of the government, including government corporations.

The following flowchart provides key steps in the process for writing off accounts receivable. Included are steps to analyze debt for write-off, record general ledger entries, classify debt according to collection status, obtain required approval for actions, close out debt, and notify the IRS about canceled debt, as applicable.

RM 4.8 – Write-off of Accounts Receivable Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Write-off of Accounts Receivable process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.8.1	Analyze Debt for Write-off	Agency personnel review each debt eligible for write-off to determine whether it should be written off and consider whether it should be classified as currently not collectible or close-out.	<p>Agencies must identify receivables that may be eligible for write-off. Selection criteria include:</p> <ul style="list-style-type: none"> • Delinquent debt age category; • Customer type; and • Receivable type. <p>As described in Treasury's <i>Managing Federal Receivables</i> guidance and OMB Circular A-129, each delinquent debt due to the government must be reviewed to determine whether it has value for accounting purposes.</p> <p>Guidance also states that generally, write-off is mandatory for debts delinquent more than two years, unless documented and justified to OMB in consultation with Treasury. In those cases where material collections can be documented to occur after two years, debt cannot be written off until the estimated collections become immaterial.</p>	RMC-10
RM 4.8.2	Debt to Be Written Off?	Based on analysis performed, a decision is made whether to write off debt.		
RM 4.8.3	The Write-off of Debt Is Reviewed and Approved.	Appropriate personnel within the agency reviews and approves the write-off of the debt.	Agencies should design and implement internal control procedures for review and approval of decisions to write-off debt performed by designated personnel.	
RM 4.8.4	Write-off Debt	The debt is written off for accounting purposes.	<p>Recording the write-off of receivables includes the reversal of applicable interest, penalties, and administrative charges.</p> <p>Writing off a debt does not necessarily mean the debt is closed out. Closed out debts are subject to collection limitations where as accounts that have been written off</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>are not subject to those same limitations.</p> <p>In compromising a debt, the agency must write off as close-out the amount of the debt forgiven by compromise.</p> <p>The creditor agency must maintain its original debtor records and remains responsible for any and all financial reporting associated with the debt.</p>	
RM 4.8.5	Record the Write-off in General Ledger	The write-off of a customer account is captured in the subsidiary ledger and entries are recorded to applicable accounts in the general ledger to reflect the write-off of debt including interest, penalties, and administrative charges, if applicable.	<p>The entries are recorded using the USSGL Account Transaction Listing provided in the TFM. Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM-D406: To record the write-off of penalties, fines, and administrative fees receivable.</p> <p>TFM-D408: To record the write-off of accounts receivable.</p> <p>TFM-D416: To record the write-off of interest receivable.</p>	RMC-11 GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 SMB-02 SMB-33
RM 4.8.6	Classify Debt as Currently not Collectible?	The agency performs analysis to determine whether to classify the debt as currently not collectible or close out after write-off.	<p>Treasury's <i>Managing Federal Receivables</i> guidance states that cost effective collection efforts should continue if an agency determines that continued collection efforts have some potential to result in collections. Specific criteria are cited to be taken into account when deciding whether to terminate collection efforts.</p> <p>Agencies may use discretion in determining threshold amounts below which it is not considered cost effective to continue collection efforts.</p>	
RM 4.8.7	Debt is Classified as	Debt is classified as currently not collectible if	According to Treasury's <i>Managing Federal Receivables</i> guidance, if the	RMC-12

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
	Currently Not Collectible.	collection efforts are to continue after write-off.	<p>agency determines cost effective collection efforts should continue after write-off, the debt is classified as currently not collectible.</p> <p>For Treasury Report on Receivables (TROR) and other internal control purposes agencies need to continue to manage receivables in currently not collectible status. For determination of whether or not to process an 8000 series memo account posting at the time of classification of written off debts as currently not collectible, agencies should refer to internal and/or Treasury procedures.</p>	
RM 4.8.8	Continue Passive Collection Efforts?	<p>The agency decides whether to continue passive collection efforts on the delinquent debt.</p> <p>If the agency determines that temporary suspension of collection activity on the debt is appropriate, active collection efforts must cease.</p> <p>If the agency determines that temporary suspension of collection activity is not appropriate, active collection efforts should resume.</p>	See Treasury's <i>Managing Federal Receivables</i> for guidance on circumstances when temporary suspension of active collection efforts is appropriate.	
RM 4.8.9	Continue Passive Collection Efforts	Passive collection efforts continue once debt is classified as currently not collectible.	<p>Agencies must maintain data on receivables that have been written off but not closed out.</p> <p>Cost effective collection activities may continue for debt classified as currently not collectible in temporarily suspended status, until a change in circumstance warrants the removal of the suspended status where active collection efforts would subsequently resume.</p> <p>Collection activities include</p>	RMC-13

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			procedures performed at the agency as well as activities performed by other entities once debt has been referred to FMS for cross-servicing or TOP or to DOJ for litigation. The agency must periodically evaluate the status of debt and consider whether to discontinue collection efforts and close-out the debt.	
RM 4.8.10	Resume Active Collection Efforts	The agency resumes active collection efforts.	<p>Evaluation of the status of debt and estimated success of collection efforts to determine whether active collection efforts should resume and must be performed on a regular basis. Such evaluation is performed at the agency whether debt is held at the agency or has been referred to other entities.</p> <p>Typically, agencies would resume active collection efforts on previously suspended debts when the debtor's financial position has improved. See Treasury's <i>Managing Federal Receivables</i> for additional examples of when agencies should resume active collection efforts on debts previously classified as temporarily suspended debts.</p>	
RM 4.8.11	Approval Required for Termination of Collection Action?	The agency determines whether approval from DOJ or FMS may be required prior to termination of collection actions for an accounts receivable.	<p>Except for agencies having independent statutory authority, DOJ concurrence is required, as applicable, when an agency suspends or terminates collection action on debts over \$100,000 (principal only). DOJ has delegated to FMS the authority to approve termination of collection action on a debt with a principal amount of \$500,000 or less when the debt is being serviced by FMS in its cross-servicing program.</p> <p>A decision to terminate collection of a debt must be approved by an appropriate managerial official. Proper segregation of duties must be maintained between the requestor and</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>approver of the action to terminate.</p> <p>Concurrence is requested by submitting a completed Claims Collection Litigation Report (CCLR) to the DOJ. See Appendix 10 of <i>Managing Federal Receivables</i> for details on preparing a CCLR.</p> <p>In compromising a debt, the agency must obtain approval from DOJ to compromise the debt when the principal balance of the debt before compromise exceeds \$100,000, or, if the debt is \$500,000 or less and the debt is in FMS's cross-servicing program, get approval from FMS unless the agency has independent statutory authority to compromise the debt.</p>	
RM 4.8.12	Approval Granted?	DOJ/FMS either approves or denies the request for termination of collection action.		
RM 4.8.13	Close-out Debt	The debt is closed out.	Treasury's <i>Managing Federal Receivables</i> guidance states that once the agency determines that collection action is legally barred or is no longer cost effective, the debt should be classified as a close-out.	RMC-12
RM 4.8.14	Meet 1099-C Reporting Requirements?	The agency determines whether the debt must be reported to the IRS as potential income.	<p>Agencies must follow statutory guidelines and IRS 1099-C instructions concerning cancellation of debt and must report cancellation of debt in the amount of \$600 or greater. Agencies may decide not to report debts less than \$600 that were cancelled in a calendar year. See IRS instructions and <i>Managing Federal Receivables</i> for additional information on 1099-C reporting.</p> <p>Depending on the type and amount of debt being compromised, the agency may be required to report the difference between the full amount of the debt and the amount paid by the</p>	

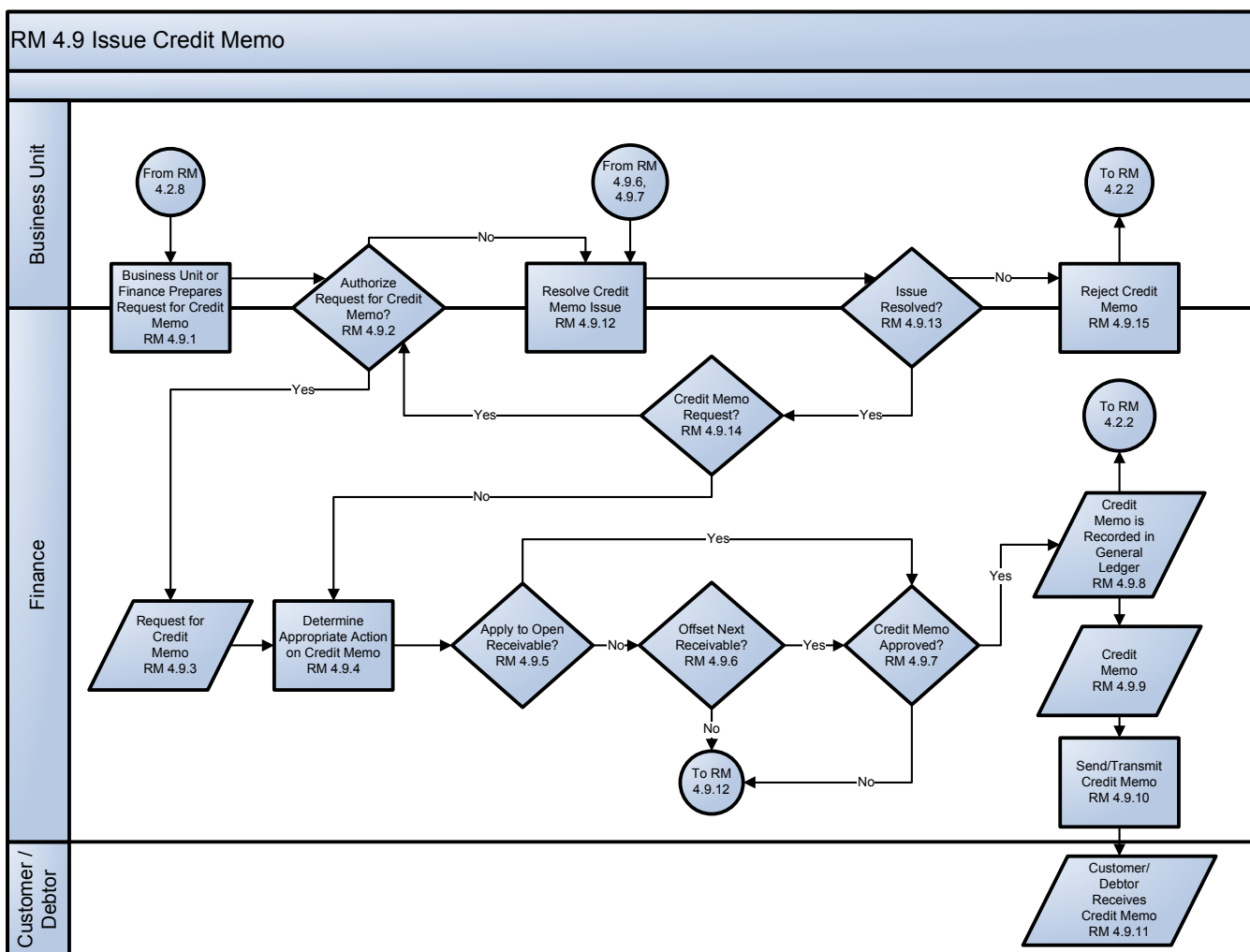
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>debtor in a compromise agreement to IRS as potential income on Form 1099-C.</p> <p>For example, if an agency agrees to accept anything less than the full amount owed for a \$300,000 debt because the debtor claims an inability to pay, the agency must seek DOJ approval for such compromise. If DOJ decides not to seek enforcement and approves the compromise, then the amount discharged should be written off as close-out and reported to the IRS on Form 1099-C.</p>	
RM 4.8.15	Generate/Route 1099-C	The agency or the entity to which debt has been referred generates Form 1099-C, "Cancellation of Debt" and sends it to the customer/debtor and the IRS.	Once a 1099-C has been issued an agency must cease collection efforts.	RMC-21
RM 4.8.16	Customer/ Debtor Receives 1099-C	Form 1099-C is received by the customer/debtor.		
RM 4.8.17	IRS Receives 1099-C	Form 1099-C is received by the IRS.		

4.9 ISSUE CREDIT MEMO

This section provides the process to determine the action an agency will take in response to triggering events such as overpayments, return of goods, or adjustments related to services provided from a debtor. The agency must determine whether or not to apply the amount to an open receivable or offset the next scheduled receivable.

The following flowchart provides key steps in the process for issuing a credit memo on an established accounts receivable. Included are steps to request and prepare a credit memo, adjust an accounts receivable balance, and generate and send the credit memo.

RM 4.9 – Issue Credit Memo Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Issue Credit Memo process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.9.1	Business Unit or Finance Prepares Request for Credit Memo	A triggering event occurs creating the need for a credit memo to be issued to a customer/debtor. Examples of such triggering events include an overpayment from a customer/debtor, return of goods, or adjustment related to services provided.	An image of the documentation supporting the credit memo request shall be maintained in electronic or hard copy form, as applicable. In an electronic environment, the request information is entered or interfaced to the Core Financial System at the time the request is prepared.	
RM 4.9.2	Authorize Request for Credit Memo?	The request for a credit memo is reviewed and the document is authorized or transmitted to the applicable functional area for resolution.	The review of a credit memo request should be performed by applicable designated personnel in either the business unit or Finance separate from the preparer of the request. Designated personnel must review applicable supporting documentation to evaluate the request for a credit memo.	
RM 4.9.3	Request for Credit Memo	A document is generated to request a credit memo.		
RM 4.9.4	Determine Appropriate Action on Credit Memo	Finance personnel review supporting documentation and any applicable accounts receivable history to determine the proper actions needed to apply the credit memo.		
RM 4.9.5	Apply to Open Receivable?	If the customer/debtor owes funds to the agency on open accounts receivable balances, Finance personnel determine whether to apply the credit memo to an applicable open balance.	Finance should apply credit memos to open accounts receivable balances owed by the customer/debtor.	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.9.6	Offset Next Receivable?	Finance personnel determine whether to hold the credit memo in order to offset the amount the agency would bill on a future receivable from the customer/debtor.	Finance personnel review the customer/debtor's account history to determine whether the agency should apply the credit memo by offsetting it against the amount of an expected future receivable from the customer/debtor. The appropriate amount of time to hold a credit (e.g., anticipating a future receivable) should be outlined in agency guidelines.	
RM 4.9.7	Credit Memo Approved?	The credit memo is approved or transmitted to the appropriate functional area for resolution.	An individual other than the preparer will approve or transmit the unapproved credit memo to the appropriate functional area for resolution.	
RM 4.9.8	Credit Memo is Recorded in General Ledger	Accounts receivable customer/debtor balances and statuses are adjusted and updated to reflect the credit memo. Once the credit memo has been entered into the system and approved by appropriate personnel, it is captured in the subsidiary ledger and recorded in the general ledger.	The entries are recorded to the general ledger using the USSGL Account Transaction Listing provided in the TFM. The applicable entry is recorded based on the entry originally made to record the receivable.	GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 SMB-33
RM 4.9.9	Credit Memo	A credit memo document is generated.		
RM 4.9.10	Send/Transmit Credit Memo	Finance sends/transmits the credit memo to the customer/debtor.	The credit memo is sent in electronic or hard-copy format, depending on the method agreed to by the customer.	
RM 4.9.11	Customer/ Debtor Receives Credit Memo	The credit memo is received by the customer/debtor.		
RM 4.9.12	Resolve Credit Memo Issue	The responsible functional area (Business Unit or Finance) addresses issues related to unauthorized credit memo requests or unapproved credit memos.		

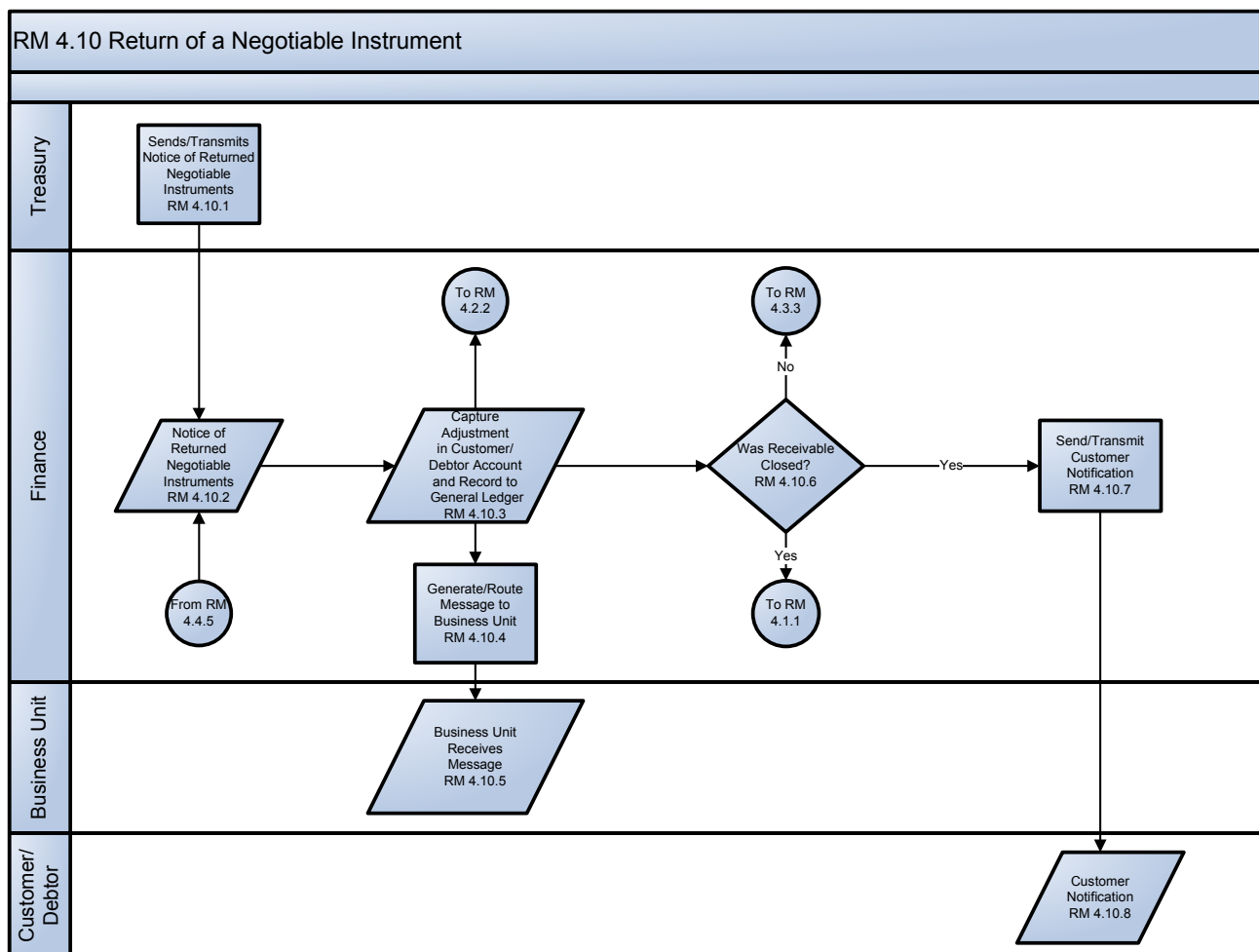
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.9.13	Issue Resolved?	<p>The responsible functional area determines if issues related to credit memo requests or credit memos were resolved.</p> <p>If resolution does not occur, the credit memo request or credit memo is rejected in step RM 4.9.15.</p>		
RM 4.9.14	Credit Memo Request?	<p>Determine if resolved issues were related to a credit memo request.</p> <p>If resolution was related to a credit memo request, the process flows to RM 4.9.2 “Authorize Credit Memo Request”.</p> <p>If the resolution was related to a credit memo, the process flows to RM 4.9.4 “Determine Appropriate Action on Credit Memo”.</p>		
RM 4.9.15	Reject Credit Memo	The credit memo request or credit memo is rejected.	Complete and sufficient supporting documentation must be provided or designated personnel will reject the credit memo request or credit memo.	

4.10 RETURN OF A NEGOTIABLE INSTRUMENT

This section provides the process to determine appropriate action in the event a negotiable instrument is returned uncollected to an agency. Although returned negotiable instruments have minimal impact on the accounts receivable balance, they must be given their due diligence as the potential for uncollectible amounts can increase over time. Examples of returned negotiable instruments include non-sufficient funds, closed customer/debtor accounts, stop payments, and disputed credit or debit charges. The cost of pursuing collection on immaterial amounts resulting from returned negotiable instruments can hinder an agency's overall financial management effectiveness. An agency's business process for returned negotiable instruments may also help to identify chronic returns from the same customers which can serve to support a change in agency policy or relationship with its customers.

The following flowchart provides key steps in the process to be followed when an agency receives notice of returned negotiable instruments for a customer/debtor. Included are steps to evaluate and record a returned negotiable instrument, and notify or bill the customer/debtor, as applicable.

RM 4.10 – Return of a Negotiable Instrument Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Return of a Negotiable Instrument process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.10.1	Sends/ Transmits Notice of Returned Negotiable Instruments	Treasury or the applicable Financial Institution (FI) sends/transmits a returned negotiable instruments notice to the agency on the account of a customer/debtor.		
RM 4.10.2	Notice of Returned Negotiable Instruments	A returned negotiable instrument notice is received by the agency.		
RM 4.10.3	Capture Adjustment to Customer/ Debtor Account and Record to General Ledger	The customer/debtor account is adjusted to reflect the returned negotiable instruments notice, and the new balance is reflected in the subsidiary and the general ledgers.	<p>The original bill is reopened in the Core Financial System and collections activities resumed. The original date of the bill is used for the purpose of calculating interest due the agency on delinquent payments.</p> <p>The entries are recorded to the general ledger using the USSGL Account Transaction Listing provided in the TFM. The applicable entry is recorded based on the entry originally made to record the receivable balance.</p>	GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 RMB-20 SMB-33
RM 4.10.4	Generate/Route Message to Business Unit	A message describing the returned negotiable instrument notice is sent to the business unit which conducted business with the customer/debtor.	The agency should implement procedures to enable timely notification of business units about customer/debtors for which returned negotiable instrument notices have been received. Business units should have procedures to suspend services to customer/debtors in such a case.	
RM 4.10.5	Business Unit Receives Message	The Business Unit receives a message describing the returned negotiable instrument notice.		

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.10.6	Was Receivable Closed?	Finance determines whether the returned negotiable instruments notice is applicable to an existing customer/debtor account in the Core Financial System.	If the Core Financial System does not have an existing account for the customer/debtor, an accounts receivable must be established, as described in RM 4.1.	
RM 4.10.7	Send/Transmit Customer Notification	Finance sends/transmits the customer notification to the customer/debtor.	The customer notification is sent in electronic or hard-copy format, depending on the method agreed to by the customer.	
RM 4.10.8	Customer Notification	The notification is received by the customer/debtor.		

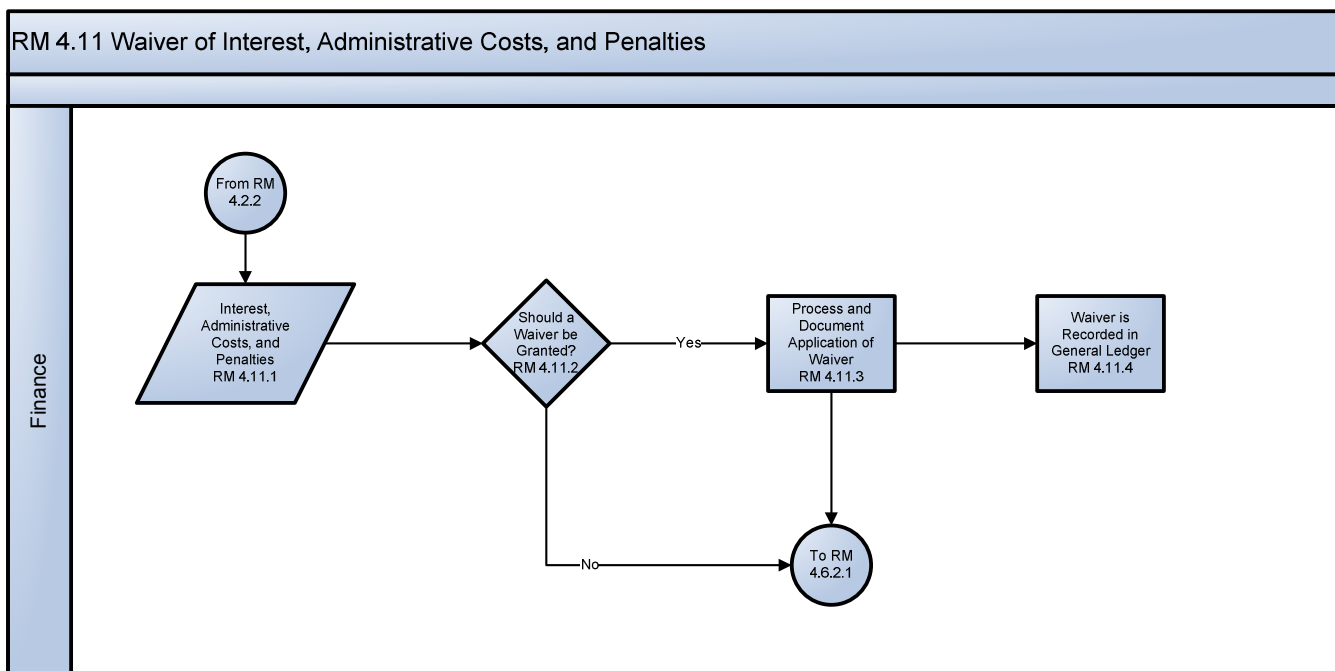
4.11 WAIVER OF INTEREST, ADMINISTRATIVE COSTS, AND PENALTIES

This section provides the process to waive interest, administrative costs, and penalties applied to customer/debtor accounts. The Federal Claims Collection Standards state that agency laws and regulations specifically applicable to claims collection activities of a particular agency generally take precedence over general government-wide claims collection standards. Flexibility needs to be built into the systems, procedures, and reporting to allow for exceptions to the standard business processes and reporting models.

The Debt Collection Act of 1982, as amended requires agencies, unless expressly prohibited or restricted by statute or contract, to assess three separate and distinct types of late charges on all delinquent debts. Late charges are categorized as interest, penalties, and administrative costs which agencies are required to waive when the associated debt is paid within 30 days of the date of delinquency. Agencies may also internally decide to waive these charges at its discretion pursuant to a compromise or settlement agreement or when collection of these charges is against equity and good conscience or is not in the best interests of the United States

The following flowchart provides key steps in the process to be followed when an agency determines whether to issue a waiver of interest, administrative costs, or penalties that have been applied on a delinquent account.

RM 4.11 – Waiver of Interest, Administrative Costs, and Penalties Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Waiver of Interest, Administrative Costs, and Penalties process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.11.1	Interest, Administrative Costs, and Penalties	The initial input to the process is records of customer/debtor accounts which have been assessed interest and/or administrative costs and/or penalties.		
RM 4.11.2	Should a Waiver Be Granted?	The agency evaluates whether interest and/or administrative costs and/or penalties should be waived on a customer/debtor account.	<p>Treasury's <i>Managing Federal Receivables</i> guidance states that the agency is required to waive <i>interest</i> and <i>administrative costs</i> on a debt paid within 30 days of the date of delinquency. A waiver may be in whole or in part for each separate type of charge. The agency has discretion to waive interest, penalties, and administrative costs in accordance with its regulations, either (1) pursuant to a compromise or settlement agreement, or (2) when collection of these charges is against equity and good conscience or is not in the best interests of the United States. For example, a waiver may be appropriate when an agency cannot conduct a hearing within the statutorily required time frame (e.g., 60 days for salary offset).</p> <p>The Federal Claims Collections Standards note that agency laws and regulations specifically applicable to claims collection activities take precedence over the government-wide standards.</p>	
RM 4.11.3	Process and Document Application of Waiver	The agency processes a waiver of interest and/or administrative costs and/or penalties on a customer/debtor account in the Core Financial System.	Supporting information and supervisory approvals for waiving interest and/or administrative costs and/or penalties must be documented and maintained.	RMC-13

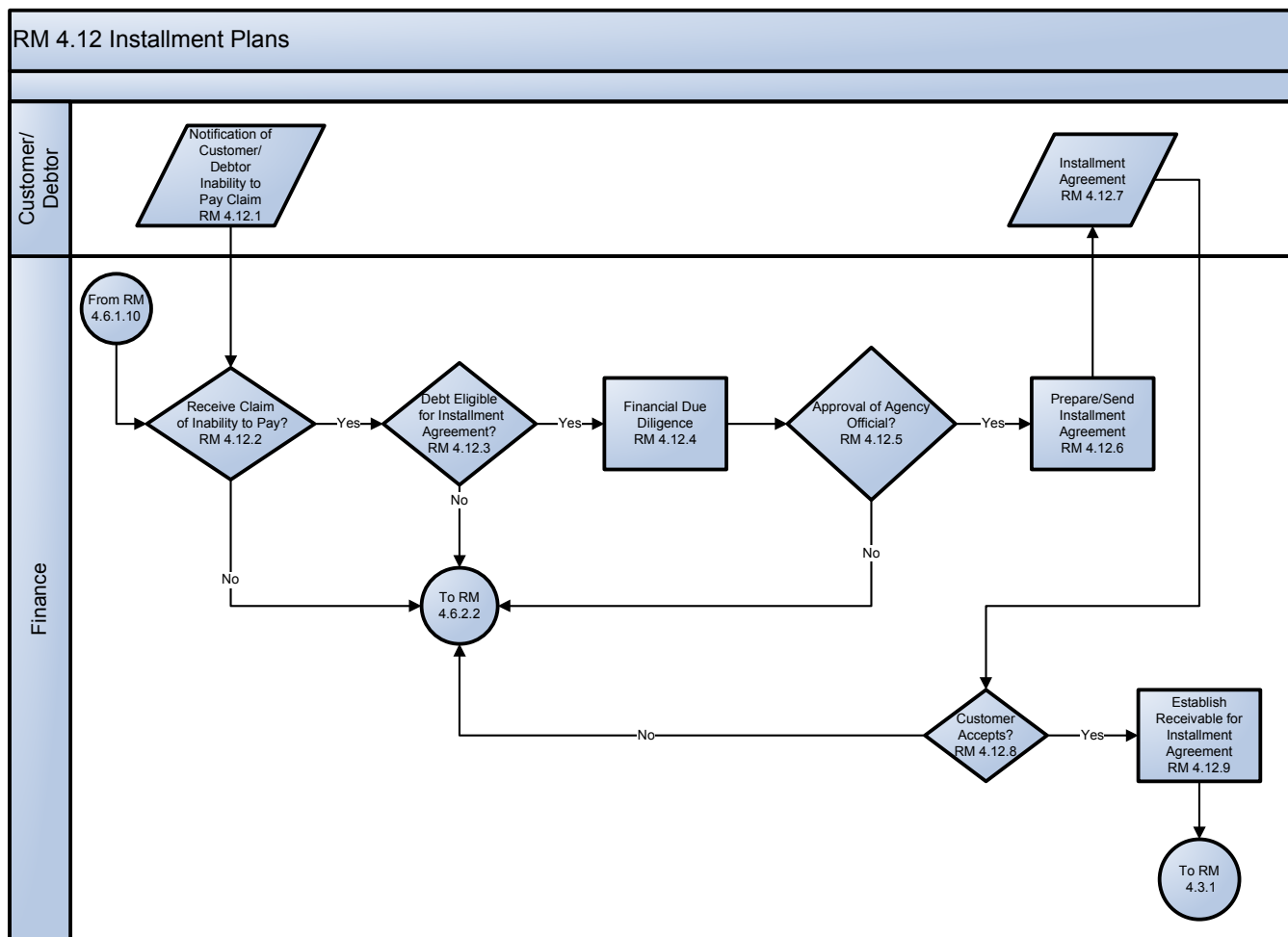
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.11.4	Waiver is Recorded in General Ledger	The waiver transaction is captured in the subsidiary ledger and recorded in the general ledger.	Waiver information is captured within the applicable subsidiary accounts and entries are recorded to applicable accounts in the and general ledger using the USSGL Account Transaction Listing provided in the TFM. Applicable entries are recorded based on earlier entries to record interest, administrative costs, and penalties.	GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 RMC-11 SMB-02 SMB-33

4.12 INSTALLMENT PLANS

This section provides the process to collect debt over time. Installment plans represent a supplemental debt collection tool available to agencies. Installment plans should only be offered to customers who present valid evidence of inability to pay claims and are offered to those customers prior to offset or administrative wage garnishment. An agency should attempt to collect as large an initial payment as possible and the agreement should be drafted with the intent to collect the entire debt in three years or less. Any installment agreement should be drafted with the best interest of the agency in collecting the debt and should not in any way compromise its right to that debt. The agreement should contain sufficient terms such that the agency's rights to collect the debt are not compromised.

The following flowchart provides key steps in the process for entering into an installment agreement with a customer/debtor. Included are steps for determining eligibility for an installment plan, performing financial due diligence, and establishing accounts receivable for an installment agreement.

RM 4.12 – Installment Plans Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart.

The Receivables Management Installment Plans process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.12.1	Notification of Customer/ Debtor Inability to Pay Claim	Customer/debtor notifies the appropriate agency office of inability to pay current amount due.		
RM 4.12.2	Receive Claim of Inability to Pay?	Finance determines whether customer/debtor provided sufficient notification of inability to pay.	<p>In the event that the customer/debtor claims financial inability to repay the debt in a single lump sum, the agency may consider collecting the debt in installments.</p> <p>Before using certain collection remedies, such as offset and administrative wage garnishment, an agency should provide a debtor with the opportunity to enter into a reasonable repayment agreement. Based on the result of analysis of accounts receivable history for the customer/debtor, agencies may consider an installment agreement.</p>	
RM 4.12.3	Debt Eligible for Installment Agreement?	Finance determines if the debt is eligible for an installment agreement.	Agency policies and procedures should define criteria for the types and amounts of debts for which the agency will consider entering into an installment agreement.	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.12.4	Financial Due Diligence	The agency conducts procedures to determine the validity of the customer/debtor's claim of inability to pay in a lump sum.	<p>Prior to entering into an installment agreement, an agency should verify the debtor's claim of inability to repay in a lump sum. Examples of documentation agencies may use are financial reports and credit reports. Additionally, an agency should enter into such agreements only when there is evidence the debtor has:</p> <ul style="list-style-type: none"> • Shown willingness to abide by the terms of the agreement, including the repayment schedule; and • Ability to make the agreed-upon payments. <p>For additional guidance on evaluating a debtor's inability to pay claim, refer to Treasury's Managing Federal Receivables, and as a supplement, The Collection Financial Standards available from the IRS.</p>	
RM 4.12.5	Approval of Agency Official?	A designated agency official approves or disapproves an installment agreement to collect the customer's debt.	The agency official reviews the results of the installment due diligence and eligibility determination procedures to determine if an installment agreement should be approved.	
RM 4.12.6	Prepare/Send Installment Agreement	Finance prepares and sends the approved installment agreement to the customer.	The installment agreement is sent to the customer/debtor in electronic or hard-copy format.	
RM 4.12.7	Installment Agreement	Customer receives the installment agreement.		
RM 4.12.8	Customer Accepts?	Customer accepts or fails to accept the terms of the installment agreement.		

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
RM 4.12.9	Establish Receivable for Installment Agreement	Finance establishes an accounts receivable according to the terms of the installment agreement.	<p>In establishing the installment agreement in the Core Financial System, Finance must:</p> <ul style="list-style-type: none"> • Close out the original bill(s); • Establish a new unbilled receivable referencing the prior bill(s) which have been closed; and • Include applicable terms of the installment agreement to enable the Core Financial System to generate a payment schedule which includes billing and payment due dates. 	GLC-01 GLC-02 GLC-03 GLC-04 GLC-05 GLC-06 RMB-21 RMB-22 SMB-33

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